Nation's Business®

Published by U.S. Chamber of Commerce - $2.50

Midterm Score On Congress Vs. Business

Putting A Price On Your Company

How To Apply For An SBA-Guaranteed Loan

1992 Outlook For Small Business

GRIM

Unless...

(Page 14)

JANUARY 1992

01

0 71486 02685 3

"My people think I'm cheap."

"I'm not cheap. This is a small business.

Sure, I want them to have everything they deserve. I also want my company to be financially stable and to grow. And, I'd like to retire someday.

But I didn't think I had the resources to do it all. Connecticut Mutual is showing me I do."

In business, you never stop learning. From yourself. And from others. Connecticut Mutual Life Insurance Company can help create financial solutions that benefit your employees, your company, and you. For more information call **1-800-FOR-CTML.**

Success requires Blue Chip resources.™

Connecticut Mutual

The Blue Chip Company

140 Garden Street, Hartford, CT 06154. Proud Sponsor of The Blue Chip Enterprise Initiative™

Diversified Insurance Services of America, G.R. Phelps & Co., Inc., CM Life, GroupAmerica Insurance Company, CM Assurance, State House Capital Management, CM Asset Advisors

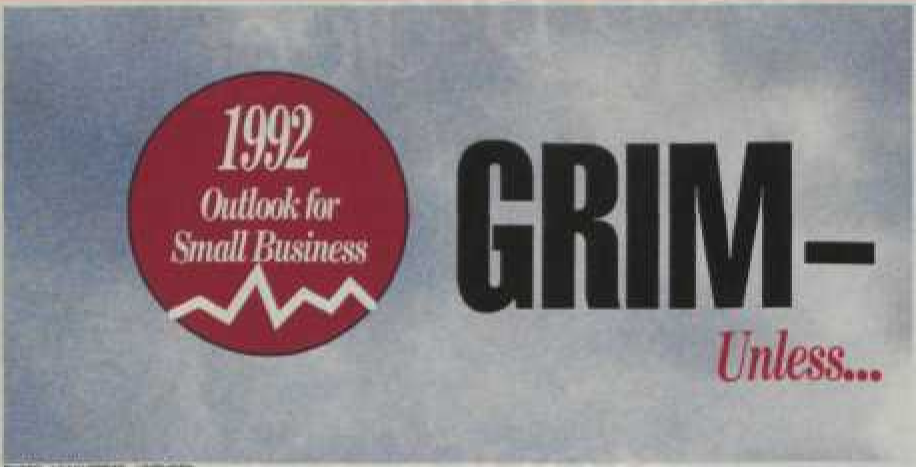
© 1991 Connecticut Mutual Life Insurance Company

Circle No. 59 on Reader Service Card

$5,000,000 project.
Seventeen contenders.
One presentation.
Call 1 800 231-5800. (ext. 190)
The Dale Carnegie Strategic Presentations Workshop.® Learn how to prepare a logical argument. How to express ideas clearly, forcefully. How to think on your feet. To maintain control. To use your charts, slides, hands, humor. To capture,
THE DALE CARNEGIE DIFFERENCE
hold, and convince your audience. Over 400 of the FORTUNE 500 have the Dale Carnegie® difference. They realize its potential. Realize yours. Call now for our course catalog. Dale Carnegie Professional Development: How to win.
Dale Carnegie & Associates, Inc. Leadership Training Worldwide.
Circle No. 1 on Reader Service Card

Nation'sBusiness

Published by U.S. Chamber of Commerce Washington, D.C.



The dark clouds *of lingering recession will keep the outlook grim for small business in 1992—unless the administration and Congress adopt economic-growth policies that include tax cuts. Cover Story, Page 14.*

PHOTO: GEORGE OLSON

Customer service *is as important as the software he publishes, says Scott Cook. Small-Business Computing, Page 42.*

VOL. 80, NO. 1

Editor's Note

PHOTO: T. MICHAEL KEZA

Recycling *"house parts" led James Kelly into manufacturing "antique" light fixtures. Making It, Page 12.*

DEPARTMENTS

Cover Design: Hans A. Baum

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1992 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. **POSTMASTER:** Send address changes to **Nation's Business**, 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, or to make a change of address, please call 1-800-638-6582, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 21 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of **Nation's Business** is prohibited. Address requests for bulk reprints to **Nation's Business** Reprints, 1615 H Street, N.W., Washington, D.C. 20062, or call (202) 463-5877. ISSN 0028-047X/ 2.50

A Realistic Look At The Economy

1991 Growth Forecasts

(As of August 1990)

Bush Administration	2.8%
Blue Chip	1.7%
Chamber of Commerce	0.1%
Actual	-0.4%

'Tis the season for predicting. Over the next few weeks, there will be a deluge of forecasts on the business outlook for 1992. They will most likely reflect the uncertainty and even the confusion that have enveloped much economic analysis in the past few months. Many of the forecasts won't agree with each other, complicating the efforts of business people to use them as planning tools. But, as the accompanying chart shows, some forecasters have earned a special claim on credibility through their accuracy.

The past year posed a major challenge to economic forecasters. There was widespread optimism, particularly in the Bush administration, that 1991 would see a strong recovery. A mild upswing seemed to validate that view, but the optimism wasn't universal. Economists at the U.S. Chamber of Commerce, who were the first to spot the arrival of the recession in mid-1990, pointed out no true recovery would develop until policy-makers addressed fundamental problems that had derailed the nation from its historic growth track. The chart compares the principal forecasts made about last year's economic trends with the actual outcome.

The accuracy of the U.S. Chamber's forecasts is the reason why its economic analysts play an important role in our annual outlook for small business, which appears in this issue.

The article contains information that you'll find extremely helpful in planning for your own business year and in determining which economic policies you'll want to press your elected officials to adopt.

If they respond, it could be a happy new year after all.

Speaking of contacting elected officials, you can add your voice by responding to the Where I Stand survey on Page 68 in this issue. The poll offers small-business people an opportunity to make their tax-policy views known where they count—with the top decision-makers in Washington.

Robert T. Gray

Robert T. Gray
Editor

Letters

The Talk About Term Limits: A Solid Proposal

All of the arguments against limiting the terms of members of Congress ["Term Limits: False Hope Or Cure?" Cover Story, November] come down to opponents' statement of the case:

"Term limits would deprive the nation of the services of many intelligent and committed lawmakers."

To which I say, "True, and it would rid us of a whole lot more who have spent, spent, spent, spent us into a $3 trillion national debt and totally lost touch with reality."

It is inconceivable that there are not 535 people who can do no worse than the lot we are stuck with now.

The most unfortunate aspect of all the term-limit talk is that we are not prepared to limit the terms enough.

I say: Senators, one six-year term. Representatives, one four-year term. No re-election, no chance to serve again.

Bates Thomas
Dalton, Ga.

THE
ESSENCE *of* TIME

Imagine your logo always on display as the dial of a gorgeous wristwatch 24 hours a day!

An ideal and unique way to advertise and promote your company. Use it for business gifts, premiums or incentives. Any way you use it, its time has come.

Each watch is made with a beautiful gold-tone case, genuine leather strap and quality quartz movement.

For a personalized sample watch, send us your color logo and **$14.50** per watch (limit 4) + $2.50 shipping & handling to:

LOVELY TIME, INC.
1422-28 South Broadway
Los Angeles, CA 90015
Call, write or fax for more info or catalog:
Tel: (213) 746-3231 Fax:(213) 746-9879
ATTN: NATHAN

Circle No. 16 on Reader Service Card

Make Lawmakers Law-Abiding

One of the most significant benefits of term limits is that our politicians would be forced to live under the laws they enact. Conveniently, they now exempt themselves from laws that are most difficult to comply with. Let them earn a living under laws of their own making. I'd love it.

Marie J. Loy
President
Intercoastal Electric
Roseville, Mich.

Raise Expectations

Congressional successes in areas of education, budget, drugs, the economy, infrastructure, trade, crime, and defense fall far too short of American expectations.

While term limits will most likely encourage congressional energy and imagination, success must follow. Let's try term limitations, and if they are unsuccessful, we can try something else.

Michael Sheaffer
Dallas

Take It A Step Further

Let's take the subject of term limits one step further and close down Washington altogether. Send everyone back to where they came from, and let them get real jobs.

And they shouldn't be allowed to convert leftover campaign funds to their personal use. Those funds should be applied to the federal deficit since that problem was caused by the ineptness of our so-called representatives.

If they holler about changing the rules in midstream, let's remind them of the various tax bills they've passed, which drastically changed the way in which our taxes were figured and resulted in the majority of citizens paying more taxes than ever before.

Joanne Capparelli
Arlington Heights, Ill.

Term Limits Are No Cure

The proposed term limits will still leave the outrageous salaries, pensions, expense accounts, and ability for logrolling and old-boy favoritism firmly in place, and they will accomplish nothing long-term.

The only answer is to put Congress back exactly as it was originally, with no salaries, no pensions, no families living in Washington, and only enough expense account to permit the congressperson the minimum travel to and from Washington only for voting (and today, even the voting can be done electronically, with no true need for Congress ever to assemble).

E.O. Sowerwine Jr.
Wapiti, Wyo.

The Real Problem

I used to think term limits were the answer, but I'm having second thoughts. Most of the permanent staffers and congressional aides are lawyers under 30 years old and others of limited experience; they form the bureaucracy that surrounds our House and Senate members. These people do most of the research and answer much of the mail. Many of them are ego-driven youth who respond to the impulse of the moment with no thought of how that action might affect the long term.

A veteran senator or representative who knows how the system works actually may be a counterbalance to the entrenched congressional bureaucracy.

The term-limit alternative could result in total control moving toward the behind-the-scenes staffers and bureaucrats.

Joe H. Vaughan
Joe Vaughan Associates
Shawnee Mission, Kan.

A Modest Proposal

My simple solution is what I call "Lewis's Legislator Handicapping Law," guaranteed to encourage new blood while making it possible for extremely popular lawmakers to continue in office.

The basic principle is simple: The longer an elected official remains in office, the larger the share of the vote he must garner to win re-election.

To add a truly radical element, imagine that a first-term incumbent could keep his seat with 5 percent *fewer* votes than the challenger.

This positive edge would disappear and then turn negative with time, but it might embolden young legislators to vote for unpopular but necessary measures with less fear of getting summarily tossed out in the next election.

Gainer R. Lewis
Musonix, Ltd.
Burbank, Calif.

Another Simple Proposal

Send every other congressman and senator home for good; it would not change the percentage representation by state at all and would cut the cost in half.
Jim Gibson
Brogden Mills
Smithfield, N.C.

Limits—Or None—For All

It is not very long since many were pushing for removal of the presidential limit of two terms. I suspect that many who were involved in that movement are now involved in the movement to impose limits on congressional terms.

Terms should be limited for both the presidency and Congress, or for neither.
Daniel D. Rees
Joplin, Mo.

You Get What You Pay For

It's about time we stopped allowing the members of Congress to line their pockets with our hard-earned money. One of the biggest crimes is that once someone stops working for that institution, they start working for someone who has helped them along the way. How many ex-politicians get a new start in life working for some group that spends all of its time dealing in influence on Capitol Hill?

As the old business axiom goes, "You get what you pay for."
Thomas J. Balka
Arvada, Colo.

Environmentalism: Profit In Being Green

It is refreshing to see an article in *Nation's Business* that takes a position on environmental issues other than saying that environmental regulations are going to strangle American business ["The Best Defense Against Pollution," November]. We must recognize that the conservation of all resources is going to become increasingly important and profitable.
E.F. Morey
Consulting Engineer
Atlanta

Someone Needs To Keep An Eye on Health Providers

I recently read "Prescriptions For Medical Costs" [September]. I am a case manager for an insurance company. The worst abusers of the system are the providers who bill whatever they can get and hide behind the fact that there is no legislation regulating what is appropriate to charge.

Unfortunately, most payers (either individual or third-party) are still largely at the mercy of the providers and can make gains only via managed health care.

The federal government has to make the first move. If providers can't police themselves, someone must.
Lora Nordstrom, R.N., B.S.N.
Zion, Ill.

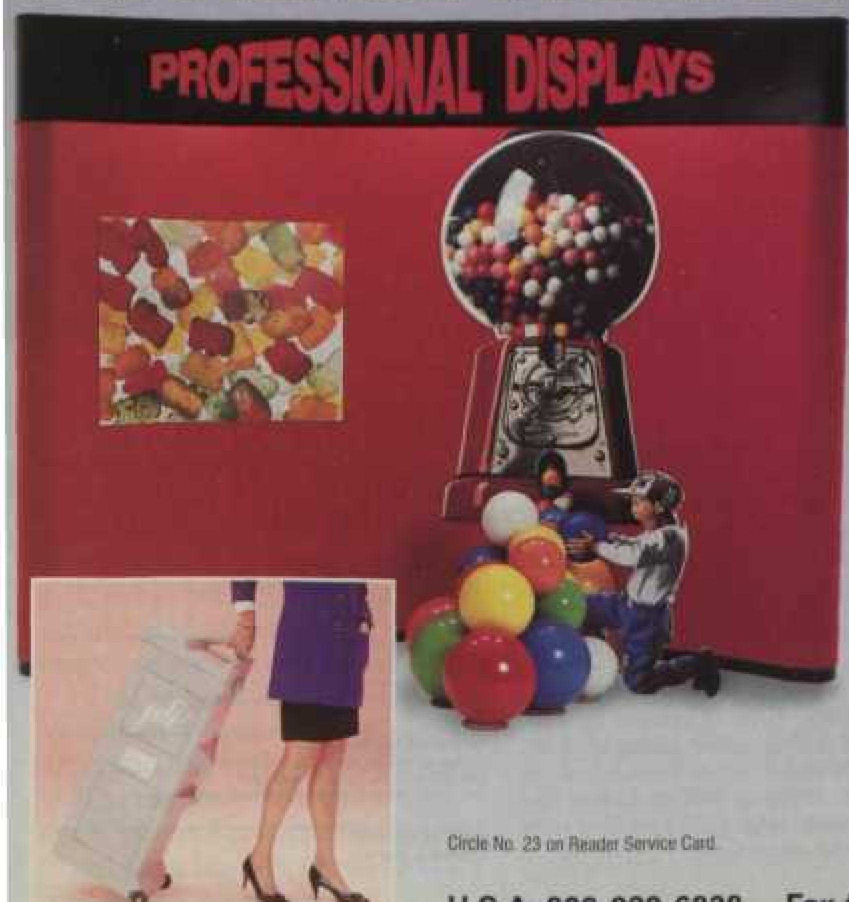
Thanks For Getting Out The Word On Wellness

I was happy to see Phyllis Barrier's article in September's To Your Health ["Getting Smart When You're Pushing A Grocery Cart"].

The commitment to employee well-being shown by corporate management in providing wellness and safety instruction at the workplace is growing at a rapid rate.

We extend our praise to *Nation's Business* for helping to get the word out.
Jane Kirchner
Manager, Workplace Program
Mile High Chapter
American Red Cross
Denver

ATTRACT A LITTLE ATTENTION



Circle No. 23 on Reader Service Card

Just like the Gumball machine . . . every penny you put in . . . you get your money's worth!!!

- Unconditional lifetime warranty
- Sets up in minutes
- Ships Via Airlines, UPS, Fed-Ex
- Complete Graphic Capabilities
- World Wide Distribution

For: Trade Shows, Seminars, Media, Recruiting & Lobby Displays.
Available in: Table Top, Full Size and Modular Pop-Up Displays.
All to fit your growing needs!!
Feel confident that your investment will help your company profit!!
NB-1-92

NAME

COMPANY

ADDRESS CITY

STATE ZIP PHONE

PROFESSIONAL DISPLAYS, INC.

Take a PRO to your next show.
746 Arrowgrand Circle, Covina, CA 91722

For free information, call today or complete coupon and mail.

U.S.A. 800-222-6838 **Fax # 818-966-4067** In Canada (416) 291-2932

More Schools That Work: Burger King Academies

I greatly enjoyed "Schools That Work" [Cover Story, October]. Another program getting excellent results is Cities in Schools/Burger King Academies.

CIS is the nation's largest nonprofit dropout-prevention program, with projects at more than 300 school sites across the country.

In 1989, CIS joined forces with Burger King and the U.S. Department of Justice to launch 10 "Burger King Academies," fully accredited public schools designed for youngsters who may not flourish in traditional school settings. Program results have been extremely positive. Seven new Burger King Academies are scheduled to open during the 1991-92 school year.

James M. Allwin
Managing Director
Morgan Stanley Realty
New York
Member, Board of Directors
Cities in Schools

Another Success

It is encouraging that our mission is shared by others around the country; the education of our youth is the best answer to concerns that young people are capable of grasping highly technical material that they will need as professionals tomorrow.

We are seeing 100 percent of our graduates go on to college and almost three-fourths of them major in science, math, and engineering.

(Rev.) Nicholas J. Reina, S.D.B.
President
Don Bosco Technical Institute
Rosemead, Calif.

Hiring Quotas No Answer, But Let's Be Fair

About your readers' response to hiring quotas ["Readers Say No To Hiring Quotas," November]: The key error of any legislation requiring statistical balance is the limitation on employers in locating and hiring the best-suited person.

Hiring quotas serve no one, but they can have serious adverse effects on a firm's future and, in the long run, could do damage to employee morale and workmanship standards.

On the other hand, giving unlimited rights to employers to replace strikers indicates little concern for employees and gives unfair leverage to the employer.

Herein lies our problem: lack of balance. Let's get the employer and employee on the same team.

Barbara L. Ashworth
President
Environmental Devices, Inc.
Sacramento, Calif.

Best Choices For Aging Relatives

Thank you for your recent article "Elder Care—From Afar" [It's Your Money, October]. There is a group of professionals known as private geriatric care managers (GCMs). They help families when they cannot be sure what the best choices are for the aging family member.

GCMs are familiar with the quality services and programs available in their community. They are ideal for family members who live at a distance from the older person. GCMs must meet strict criteria to be members of the National Association of Private Geriatric Care Managers.

The association, based in Tucson, Ariz., will provide referrals; the phone number is (602) 881-8008.

Ruth C. Cohen, ACSW, Owner
Creative Care Consultants
Kansas City, Mo.

Great Bosses Can Be Women

It's really a small thing, but since we are almost all guilty, I'll take the liberty to point it out to you: In your article "How To Be A Great Boss" [December], all the bosses are men.

I know plenty of female executives will notice. With luck, you won't hear from them.

Nor will you suffer the indignity of having your indifference pointed out to you in print as we did recently. We were cited in a poll of business journals as having a male bias in our articles. I had recklessly decided to use "he or she" on first reference, "he" thereafter. Not now.

Colleen Katz
Editor
Journal of Accountancy
New York

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Nation'sBusiness

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
C.J. Silas
PRESIDENT
Dr. Richard L. Lesher
SENIOR VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Robert T. Gray
DEPUTY EDITOR
Mary McElveen
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
Ripley Hotch, Joan C. Szabo, Roger Thompson, Albert G. Holzinger, Terence F. Shea, Michael Barrier
ASSOCIATE EDITORS
Janet L. Willen, Meg Whittemore
SENIOR WRITER
David Warner
STAFF WRITER
Bradford McKee
CONTRIBUTING EDITORS
Henry Altman, Julie Candler, John L. Ward, Craig E. Aronoff, Jon Pepper, Charles A. Jaffe, Peter Weaver, Albert B. Ellentuck, Kevin P. Meath

ART DIRECTOR
Hans A. Baum
SENIOR DESIGNERS
Angela Reed Broese, Kathy Reuter
SENIOR ARTISTS
Kathleen Vetter, Deborah J. Humphries
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer
ART PRODUCTION ASSISTANT
Theodora D. Taylor

PRODUCTION DIRECTOR
Sheila Yoder
PRODUCTION MANAGER
Jeffrey W. Bartlett
PRODUCTION COORDINATOR
Stephanie Obranovich
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Robert H. Gotshall, marketing director
(313) 354-1180
Pete McCutchen, Eastern advertising director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Terry Kay Nance
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (313) 354-1180
Richard Topous, Michael McNew
Los Angeles (213) 651-1466
Tom Bowman
New York (212) 370-1440
Jerry V. Camporine,
Joseph Addiuci, Neil Hanlon
San Francisco (415) 421-7436
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Jonathan Shenord, manager
Maria Scher, sales representative

INTERNATIONAL MARKETING
(202) 463-5716
El Motaz Sonbol, director

CIRCULATION
Elizabeth A. Allen, director
Lucy Oliver, manager
Liana Glasco, marketing services manager

PROMOTION AND RESEARCH
Janine Grossman, director
Nancy Swanson, research manager
Gabrielle Fardwell, promotion coordinator

BUSINESS MANAGER
Leonard I. Rippa

Hitachi's Visualization System simulates the invisible.*

Our 8mm video cameras make memories easier to keep.

Imagine trying to capture the image of a golf ball, 1/6000th of a second after being struck. With the help of a Hitachi supercomputer and a Hitachi HDTV (High-Definition Television) display, a superior system has been created to allow a simulated vision to be viewed with incredible resolution and clarity.

This Supercomputing Scientific Visualization System has vast implications in the world of industry as well as the study of Earth's many environmental concerns. Included in this latter area are the advances in picturing ozone depletion levels, simulating the effects of tsunami in the Pacific ocean and visualizing the water purification process for our lakes and rivers. All with a brilliance never before attained.

Meanwhile, a little closer to home, Hitachi's 8mm video camera gives you the opportunity to record images with equal clarity and precision. And at a width of just 2.3 inches this, the world's thinnest camcorder, automatically regulates color, sets exposure levels and focuses, to let you concentrate on a, more times than not, moving target.

Such varied technologies are a good example of how Hitachi's 16,000-strong research and development department is constantly working toward bringing the world a vision of the future.

For more information about Hitachi 8mm video cameras, call toll-free 1-800-HITACHI. (Applicable within U.S. only)

HITACHI

©1992 Hitachi, Ltd. Tokyo, Japan. All rights reserved. *Simulation of a ball being struck by a golf club at 650 feet per second – a rate four times faster than is possible for man.

Entrepreneur's Notebook

A Business Takes Wing Despite Customers' Doubts

By Richard M. Selzer

For nearly five years, I've been in the pigeon-relocation business.

Go ahead and laugh—some of my best customers used to do the same. Sometimes I do, too. My company—Flyaway Avian Averting Systems, in Rockwall, Texas—installs wired systems that keep pigeons from nesting and roosting on places such as the window ledges of buildings.

The system works on the Pavlovian theory that, through positive or negative reinforcement, you can train an animal to do what you want. My system of wires trains pigeons to stay off a building, overhang, ledge, or any type of perch.

The Flyaway system also can be modified to control mice, squirrels, and other animals that can harm property.

With Flyaway, the negative reinforcement is an electrical impulse from the wire.

Flyaway installs wires that extend a few inches from a building. We use so few wires—each building ledge, for example, needs only one—and they are so close to the building that the wires are not visible from the ground.

The wires are linked as a circuit and carry a small, constant electrical charge supplied by a transformer. The birds do not see the wires; when they walk into one, they receive a mild shock, sound a cry of danger, and fly away.

Studies by some ornithologists have shown that about 10 such occurrences within a flock will make pigeons flee a building. If the flock comes back, it will leave after only one bird is shocked.

Wired systems were popular in the 1940s and 1950s, especially on the East Coast, where elaborate strings of electrified wires were set up on buildings' roof lines and ledges, making them unsightly. Such systems broke down often, and the electrical charges were not well controlled. Sometimes the wires were overcharged, and they injured or even electrocuted the birds.

And therein lies the challenge of this business. Some people who are familiar with the old systems—many of which are still in use or at least in place—expect our product to be ugly, obtrusive, and harmful to the pigeons. Other people simply laugh us off, and still others don't believe the theory.

That makes Flyaway a tough sell. It has forced me to work a little harder, to be a little more aggressive. Word travels fast about unusual businesses, so you can't afford unhappy customers. Success for someone in a business like this requires an extra measure of determination and self-confidence.

PHOTO: ©JOHN R. FULTON JR.

A Pied Piper *for pigeons? Richard Selzer draws a crowd in a Dallas park.*

When I see a building that looks like it has a pigeon problem, I make a cold call. And typically I hear the snickering. There is a lot of skepticism about the system. But if you can get a potential customer to take a fresh look at a product and can prove its performance, skepticism dissolves.

When I used to walk into a certain government office to make a sales pitch, for example, I usually would be greeted with "Boo! Go away! What you do is ugly, and it hurts birds!"

Today, that government agency is a customer, and, as a result, I am hopeful that more government business will follow.

To turn skeptics into listeners, I guarantee potential customers that they will have no birds nesting or roosting in the areas we treat. I often tell them that they won't get an invoice for payment until they are satisfied that the pigeons are gone.

When Flyaway did its first job, at Texas A&M University, at College Station, Texas, in April 1989, officials there laughed and said the system would never work. They doubted it right up to the moment when they realized the birds had been gone for a few weeks. That's when I sent them the bill—and when the university's management signed the company to do another job. Altogether Flyaway has done 12 buildings at Texas A&M.

Contrary to popular thinking, people don't need to believe in a product in order to try it. When they need the solution you provide, they may buy your product even if they doubt that it will work. Results will turn them into believers.

It's a strategy that seems to work for Flyaway. The company has grown to four employees from a one-man shop, and I've watched our billings quadruple. Three dealer companies sell and install Flyaway equipment, and I expect to add as many as nine more by the end of 1992.

Having a product that some people don't take seriously means that our contracts don't come easily. I don't picture myself as a Pied Piper for pigeons, but I can't stop others from wondering if that's what I do. Ultimately, however, I'll be satisfied serving the people who stop laughing long enough to listen, give us a try, and buy our system. NB

Richard M. Selzer is president of Flyaway Avian Averting Systems in Rockwall, Texas. He prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

After six weeks in the hospital, Tommy was cured of osteomyelitis.

But not without complications.

As any child psychologist will tell you, a long hospital stay can be traumatic for a child.

So instead of sending children with osteomyelitis to the hospital for six weeks, one managed care group found a better way.

Parents can be taught to administer the simple intravenous treatment at home, with periodic checks by a visiting nurse. Providing the same level of clinical care, while greatly reducing both the emotional and financial burden on the family.

It's just one example of how managed care is proving to be the most promising direction in our health care system. And why The Prudential is actively trying to expand the use of managed care throughout the country.

Because we don't think anyone's view of health care should be the one pictured here.

For more information about this subject and other ways that The Prudential is working for health care reform, write:
New Approaches to Health Care,
The Prudential, 751 Broad Street,
16th Fl., Newark, N.J. 07102-3777.

The Prudential

© Copyright [illegible] The Prudential Insurance Company of America

Managing Your Small Business

Customized attention for customers; the new wage levels for Social Security taxes; and Murphy's Law in action.

By Bradford McKee

MARKETING

Entrepreneurs Discover A Message In A Bottle

If you think your product doesn't lend itself to direct mail, maybe you should think again.

Using computer software and a few choice mailing lists, two entrepreneurs in New England are making a profit as they expand their wine business with a highly personalized direct-mail approach.

Phillip Wade and Huib Geerlings, who own Geerlings & Wade Personal Wine Importers, in Canton, Mass., buy their wines directly from independent wineries in Europe and the U.S. With that kind of purchasing arrangement, Wade says, "we get our customers a good price" without sacrificing profit.

Getting people to buy wine through the mail for the first time is a challenge, says Wade. Yet once they buy, repeat sales are easier, he says, because the wine selection is intimate and "focused." The company's database also helps secure repeat customers. Geerlings & Wade keeps on file their credit-card numbers, their shipping preferences (such as the time of day that a customer likes to receive deliveries), and the wines they've ordered in the past.

Wine importers *Phillip Wade and Huib Geerlings personalize their direct mail.*

If a customer can't remember the name of the Pouilly Fuissé he enjoyed some months ago, Geerlings & Wade can find the wine's name from the previous order on file. "It gives the customers the sense that we're in control," Wade says. ■

TRANSPORTATION

Views On Travel

Responding to a survey conducted by a travel-industry consulting firm, 1,230 small companies listed their major difficulties in managing company travel. Problems are listed according to the percentage of firms reporting each one; some firms reported more than one problem.

High Travel Costs	81%
Confusing Air Fares	57
Air-Travel Delays	48
Lack Of Useful Travel Data	12
Traveler Morale	12
Poor Travel-Agency Service	8
Ignoring Company Travel Policy	6

Just under half of the firms reported they have a company travel policy.

Source: Runzheimer International

SURVIVAL

Recovering From Murphy's Law

Geoffrey Walsh didn't quit using his supplier after it botched a big order. He reasoned that the company could be valuable later on for his young firm, The Walsh Organization, in Larchmont, N.Y. The company markets watches and has been subjected, Walsh says, to the famous Murphy's Law: If something can go wrong, it will go wrong.

Tens of thousands of his firm's Art-Watches—their faces display details of famous paintings—nearly didn't make it to stores in time for the holidays, Walsh says, because a supplier punched holes for the hands up to 2 millimeters off center in 200,000 watch dials. His assemblers in the Midwest and in Hong Kong needed the dials, he says, so "we had to send them whatever was salvageable." He re-examined production priorities, saved about 40 percent of the botched job (some holes were within usable limits), and had 30 percent of the dials reprinted. The rest were discarded; replacements would not have reached certain markets in time.

Walsh says he will manage jobs more closely—and believe Murphy's Law. ■

TAXES

Social Security Wage Base Increases For 1992

The amount of wages subject to Social Security and Medicare taxes in 1992 will be $55,000 and $130,200, respectively. Comparable figures in 1991 were $53,400 and $125,000. The tax rate, however, will remain unchanged at 7.65 percent of wages paid by both the employer and the wage earner and 15.3 percent for self-employed individuals.

The 7.65 percent breaks down into 6.2 percent covering Social Security benefits for the elderly, surviving dependents of covered workers, and the disabled. The balance of 1.45 percent is for Medicare hospital insurance. The figures for the self-employed are 12.4 percent for Social Security and 2.9 percent for Medicare.

The past year was the first in which a higher wage base was set for the Medicare tax than for other Social Security taxes.

In addition, the annual retirement-earnings limit for those 65 to 69 increases to $10,200 in 1992, up from $9,720 in 1991. For every $3 in earnings above that limit, $1 in Social Security benefits is withheld from these individuals. For those 62 to 65, the limit rises to $7,440 from $7,080, and for every $2 earned above the limit, $1 in Social Security benefits is withheld. ■

RESOURCES

Blue Chip Strategies For Small Companies

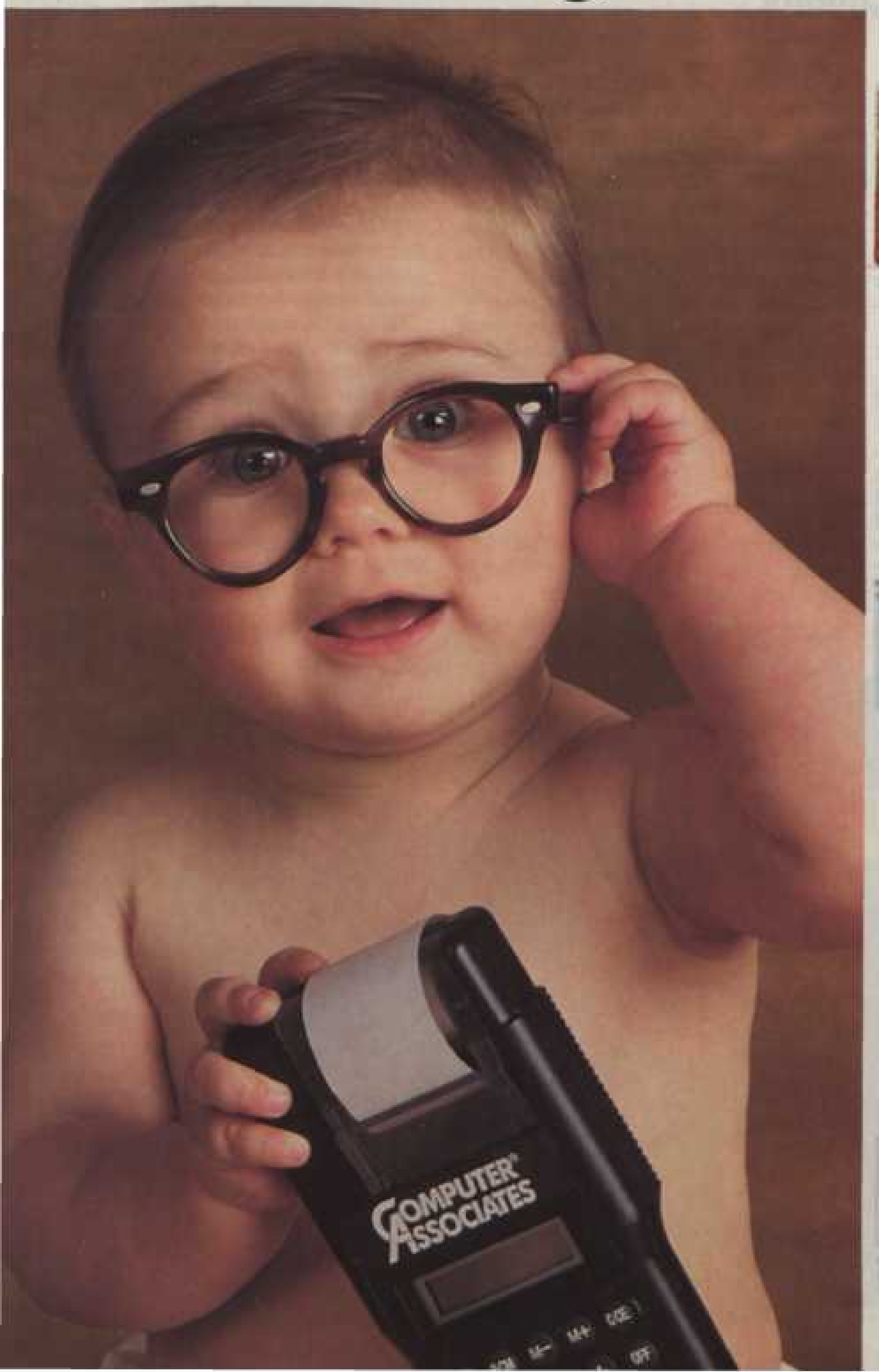
Small businesses that would like to know how other small companies have overcome formidable challenges will be interested in a new book compiling case histories of such successes.

Developed by the Blue Chip Enterprise Initiative, which is sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* magazine, the book outlines how the 200 Blue Chip honorees for 1991 used their resources to overcome adversity. The book is priced at $8.95.

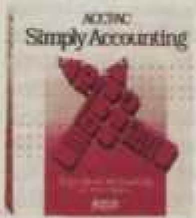
The case histories are also being made available in a four-part videotape series, priced at $60 for the set. The first two parts are available now, and the second two parts are to follow in January and April.

To order the book or the tapes, call 1-800-AWARD-92. NB

Some People Are Born Accountants. For The Rest Of Us, There's New ACCPAC Simply Accounting For Windows.

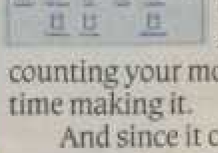


Easy To Learn, Easy To Use And Only $199.



Now there's an accounting program anybody can use–new ACCPAC® Simply Accounting™ For Windows,™ the quickest and easiest way to take care of your books.

You'll have it up and running in minutes. And with the Windows interface, you can do anything with just a few clicks of the mouse. Write a check. Print out an invoice. Do your payroll. Manage your receivables.



What used to take hours now takes just minutes. So you can spend less time counting your money–and more time making it.

And since it costs only $199, you can take care of your books without breaking the bank.

Call us today at 1-800-645-3003 for the location of your nearest dealer.

It's the accounting program anybody can use.

And we mean anybody.

COMPUTER ASSOCIATES

For Only $199 You'll Get · General Ledger · Accounts Payable · Accounts Receivable · Payroll · Inventory Control · Job Costing · Prints Checks, Statements, Invoices and Mailing Labels · Produces Standard Accounting Reports · Quick Set-Up

©1991 Computer Associates International, Inc., 711 Stewart Avenue, Garden City, NY 11530-4787. All trade names referenced are the trademarks or registered trademarks of their respective companies.

Making It

Growing businesses share their experiences in creating and marketing new products and services.

How An Oregon Shopkeeper Spreads His Light Across The Country

By Michael Barrier

James O. Kelly's store, Rejuvenation House Parts, sits on a corner amid mostly modest homes in northern Portland, Ore. The large house across the street will soon turn 102—a true graybeard for the Northwest and a fitting companion for Kelly's store, which is the most visible part of a firm that has become a leading manufacturer of antique-looking light fixtures.

Under the name Rejuvenation Lamp & Fixture Co., Kelly makes—and sells almost entirely by mail order—fixtures of the kind that illuminated American homes in the late 19th and early 20th centuries. Rejuvenation Lamp's catalog opens with replicas of Victorian fixtures that burned coal gas (Kelly's run on electricity) and moves through early electrical fixtures before concluding with a collection of chandeliers and wall brackets in the "Craftsman" style (also called "Mission")—a plain style that enjoyed a vogue early in this century, in reaction to the excesses of Victorian design.

Many of the fixtures that Kelly sells are not simply reproductions of old fixtures but have been made from the same molds and dies used to make the originals. Kelly estimates that perhaps three-quarters of the glass shades for his fixtures come from old molds, many of them untouched for 50 or 60 years before he revived them.

Finding those old molds was not easy. Sometimes they had changed hands several times. "Typically," Kelly says, "some other company bought out some other company, 30 or 50 years ago. I used to start out by writing these people, and they didn't have much time for this guy who wasn't anybody and was pestering them." So he started showing up on the doorsteps of manufacturers in the Northeast, asking if they had any old molds. Sometimes his persistence paid off, and they sold the molds to him.

Kelly, 38, farms out the actual manufacture of the metal and glass parts to other companies, which sometimes use their own old molds and dies but more often use Kelly's. Around 40 employees, working in a building a half block from Kelly's store, assemble each fixture individually.

Getting his suppliers to meet his exacting specifications is "a continual battle," Kelly says, but, as in the search for molds and dies, his persistence has paid off. Rejuvenation House Parts' annual revenues have risen to around $3 million, and its products have made their way into many prestigious and often highly visible settings—the White House annex known as the Old Executive Office Building in Washington, D.C., for instance, plus three state capitols and the homes of Goldie

PHOTO: T. MICHAEL KEZA

Jim Kelly's *lamp company makes brand-new antiques—lighting fixtures cast from turn-of-the century molds.*

Hawn, Harrison Ford, and Madonna.

All of that is not what Kelly had in mind when he went into business for himself almost 15 years ago. His company, he says, "sort of naturally evolved."

He had dropped out of Antioch College in Yellow Springs, Ohio, in 1973, after two years, and had gone to work as a carpenter for his father, a Portland contractor. In 1977 he and a partner (who later became his wife and then his ex-wife) borrowed $2,500 to open a store that specialized in recycling "house parts"—doors, moldings, doorknobs, bathtubs, and the like, salvaged from demolished buildings. They lived in an apartment over the store, in a dilapidated building that Kelly had bought in 1975 for $1,000.

At first, the store was a sideline, open only two days a week. Rejuvenation House Parts catered to the owners of old houses—people who, like Kelly himself, were do-it-yourself renovators. Some of his customers were looking for antique light fixtures. In trying to find them, Kelly gradually accumulated knowledge about old lights and their manufacturers. His customers' interest encouraged him to begin making reproduction fixtures in 1978.

Kelly started with a single fixture—a Victorian wall sconce—but within a year, he says, "I had a pretty full range of lights." (He concentrated on Victorian reproductions until he added the Craftsman line in 1986.)

His quick success in selling fixtures in Portland—a relatively small market—led him to contemplate all the potential customers elsewhere. When he started, he says, only a few other small companies were making such reproduction fixtures—"very high quality, and very expensive"—and he spied a niche for a company that offered quality fixtures at lower prices.

"One of the reasons that we're still in business is that we were not well capitalized," Kelly says. In other words, he didn't have enough money to make a lot of expensive mistakes. Rather than embark on a costly effort to get his fixtures into retail stores, Kelly began advertising in 1981 in publications aimed at homeowners and interior designers. About three years ago, he began to target architects, too. Today, he says, "the majority of our business, by far," is with architects and designers.

Rejuvenation Lamp & Fixture issued its first, crude, black-and-white catalog in March 1981. The 1991 edition, a slick, four-color publication of 40 pages, went to a mailing list of about 80,000 names.

Even though the catalog now accounts for most of his revenues, Kelly thinks that his retail store, where he sells his fixtures as well as "house parts," has been a critical element in his growth, because it has allowed him and his employees to have direct contact with customers. He still works the floor himself, although not as much as he used to.

Early in 1992, Kelly will move all of his operations into a 90-year-old building across the Willamette River from downtown Portland. The new building's 48,000 square feet is double what Kelly now has. The first floor will be retail, but on a much grander scale than the present store.

Rejuvenation Lamp's gleaming fixtures may seem to make an odd mix with used doors and bathtubs, but for Jim Kelly, it's a combination that works.

How A Dallas Consultant Helps Managers Attack The Paper Piled On Their Desks

By Michael Barrier

Although the "paperless office" shimmers like a tantalizing mirage on the horizon, computers have so far produced a paper glut. That may change, but right now, the prospects are bright for people like Lisa Kanarek, who know how to subdue the paper that surges across every manager's desk.

People who call themselves professional organizers have been around for a long time, but they have mostly offered help in managing time. Kanarek, 30, who does business in Dallas under the name Everything's Organized, is one of the most visible and successful of the entrepreneurs who sell expertise in managing paper.

Kanarek has been a full-time organizer since 1988. She was working in Kansas City as a licensing agent for products based on the "Far Side" comic strip when she read a magazine article about an organizer in New Jersey. After deciding that such work fit her own talents—and after learning that no one in Kansas City was offering comparable services—she quit her job to give organizing a try.

"I started organizing homes," she recalls, "and I quickly decided I was better suited for the corporate market." She found it hard to pry homeowners loose from useless objects to which they felt a nostalgic attachment.

PHOTO: SHELLY KUPER

Lisa Kanarek *calls her firm Everything's Organized.*

Kanarek's career blossomed after she accompanied her husband, a physician, to his new job in Dallas two years ago. Dallas, home of many corporate headquarters and host to many large conventions, turned out to be a prime market for an energetic and personable organizer.

Kanarek spends most of her time now presenting seminars on organizing for business and trade-association groups, in Dallas and around the country. She still works with individuals, though (at fees ranging up to $1,200 a day), partly because their bad habits yield fresh anecdotes for her seminars. She has a book coming out in 1992, from New American Library.

Her "main niche" as an organizer, Kanarek says, "is that there's not just one way to get organized. I give people a lot of different options, because no two people can work the same way."

She works "with a lot of corporate presidents and CEOs on the weekend," Kanarek says, "because they don't want anyone to know that they need help." One was a bank executive who says, "I had stacks of paper just about everywhere in my office." Kanarek taught him how to organize his files and helped him sort through the stacks, asking him if he really would use this or that piece of paper.

The executive says he ended up "throwing just tons away" and gained more than a clean desk: "My time was a lot more under control. Once you start managing your paper flow better, your productivity increases tremendously."

Kanarek's own organizing habits aren't readily on display, since she works by herself in a home office. But she admits that she has suffered at least one lapse: "I did lock my keys in the car once, two years ago."

Grim Year Ahead . . .

By Roger Thompson

"If you elect me your president, you will be better off four years from now than you are today."

—Candidate George Bush, on the eve of the 1988 presidential election.

That promise has come back to haunt President Bush on the eve of another presidential election campaign. From Main Street to Wall Street, Americans are anxious about the economy.

"I'm tired and frightened," says Dan Walker, owner of Kimbell & Walker, a farm-equipment business in Clinton, Ky. "We have zero profit margins. I think we've got further to go down than we've been. We haven't seen the bottom of this recession."

Says Lee Pfoff, owner of the Allen Tire Service in Lima, Ohio: "The economy? It stinks. George Bush better get his act together. The only thing keeping us going right now is that new-car sales are down drastically, so people have to keep older cars running longer."

Agnes Davis, owner of Charisma, a Redondo Beach, Calif., company that markets pantyhose nationwide, is on the phone constantly taking orders, and she's getting an earful about the economy. "People are angry at Bush for not coming out and saying we're in a hell of a mess, and it will be a while before it turns around," says Davis. Her own business is off sharply.

Davis says she recently got a call from a man in Georgia, an engineer for 27 years, who was laid off 18 months ago and can't find a job. "He wanted to sell Charisma [pantyhose]. I'm hearing a lot of stories like that."

Business owners aren't the only ones pessimistic about the economy. Consumer confidence plunged to an 11-year low in November, according to the Conference Board, a business research organization in New York. "We're about as low historically as we've ever been," says Fabian Linden, executive director of the board's Consumer Research Center.

CHART: MARCY MULLINS

PHOTO: ©CANDPRESS—UNIPHOTO

The national mood has soured in large part because unemployment remains high, hovering just below 7 percent, and because news stories about major corporations laying off employees appear almost daily. For many Americans, job security seems to have become a thing of the past.

After a buoyant year of record highs, Wall Street in late November began to reflect Main Street's unease about the economy. As investors began to doubt that the long-anticipated recovery had taken hold, the Dow Jones industrial average skidded downward more than 100 points from its all-time high of 3077 reached just weeks earlier.

Many Democrats in Congress are taking perverse pleasure in noting that the administration's record of economic growth is the worst since Herbert Hoover. Nonetheless, a recent Business Ballot poll by the U.S. Chamber of Commerce found that 83 percent of the business respondents believed Congress was most responsible for the lack of economic growth over the past two years.

For their part, most professional economists still maintain that the recession officially ended last May or June. In fact, the gross national product—the nation's output of goods and services—grew by a meager annual rate of 2.0 percent from July through September, down from earlier estimates of 2.4 percent. But by the time that figure came out in mid-October,

Unless Growth Policies Adopted

1992 Outlook for Small Business

an unexpected bombardment of bad economic news had shaken nearly everyone's faith in the struggling recovery.

What was supposed to be a sharp rebound from the mildest recession in the years since World War II suddenly turned into the slump that won't go away.

By year's end, the economy had stalled, at best. That was the consensus of the 52 private economists surveyed monthly by *Blue Chip Economic Indicators*, a Sedona, Ariz., newsletter. At worst, the sputtering economy had slipped back into recession—the feared "double dip." The double dip was forecast by U.S. Chamber of Commerce economists, who are expecting slightly negative growth from November 1991 through March 1992. (See the chart on Page 14.) "We don't see sustainable growth starting until April," says William MacReynolds, director of forecasting for the U.S. Chamber.

But even that growth is expected to be anemic. *Blue Chip* says that for all of 1992, gross national product will expand by 2.4 percent, while the Chamber forecasts GNP growth of 1.6 percent. Those projections are far short of the 6 percent surge in GNP recorded in the first year following each of the seven previous postwar recessions.

For the remainder of the decade, *Blue Chip* foresees economic stagnation, with growth never exceeding 2.6 percent annually. By contrast, growth averaged 4 percent annually in the mid-1980s.

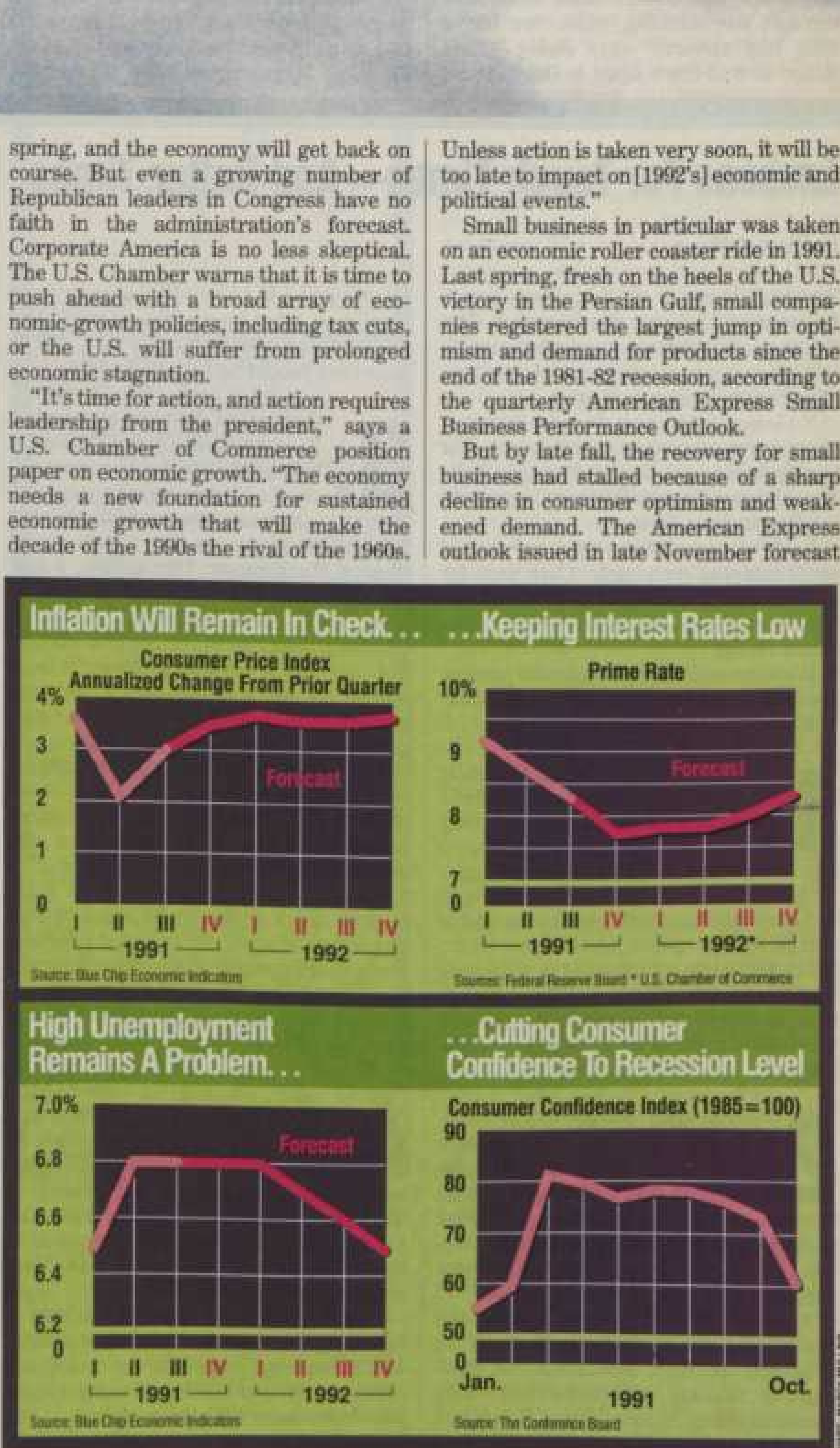
About the only forecast still calling for renewed economic strength comes from the ever-optimistic Bush administration. In August 1990, when the U.S. Chamber correctly noted that a recession had begun—it was the first business organization to recognize that fact—the administration clung to a projection of 2.8 percent growth for 1991. The actual figure is expected to be -0.4 percent. Now the administration forecasts election-year growth of 3.2 percent, more optimistic than all but two of the 52 economists who participate in the *Blue Chip* survey. (See Editor's Note, on Page 3.)

If the administration's economists are right, growth will accelerate during the spring, and the economy will get back on course. But even a growing number of Republican leaders in Congress have no faith in the administration's forecast. Corporate America is no less skeptical. The U.S. Chamber warns that it is time to push ahead with a broad array of economic-growth policies, including tax cuts, or the U.S. will suffer from prolonged economic stagnation.

"It's time for action, and action requires leadership from the president," says a U.S. Chamber of Commerce position paper on economic growth. "The economy needs a new foundation for sustained economic growth that will make the decade of the 1990s the rival of the 1960s. Unless action is taken very soon, it will be too late to impact on [1992's] economic and political events."

Small business in particular was taken on an economic roller coaster ride in 1991. Last spring, fresh on the heels of the U.S. victory in the Persian Gulf, small companies registered the largest jump in optimism and demand for products since the end of the 1981-82 recession, according to the quarterly American Express Small Business Performance Outlook.

But by late fall, the recovery for small business had stalled because of a sharp decline in consumer optimism and weakened demand. The American Express outlook issued in late November forecast



"no forward progress" for small-business owners until the spring. (See the charts on Page 17.)

"The small-business sector has lost faith in a near-term recovery," says James A. Firestone, executive vice president of American Express.

Dave Reidy, president of Reidy Associates Inc., a Malvern, Pa., firm that sells packaging machinery and supplies, says his own company has tracked the economy's ups and downs. Sales were slow through late summer, when "we had a little blip upward," says Reidy. "Then things slowed down again in October and November. A couple of good-sized accounts that we thought would never go bad actually went bankrupt and stuck us for some large unpaid bills. When that happens to a small company like ours, it's pretty tough."

Nationwide, business failures resulting in court bankruptcy proceedings were up for 17 consecutive months through last July, the latest available figures, according to the Dun & Bradstreet Corp., a New York-based marketer of business information. In general, states on the East and West Coasts registered the sharpest increases in failures during the first seven months of 1991, a reversal of the bicoastal boom of the 1980s. States in the center of the country showed far less weakness. (See the chart on Page 18.)

Adoption of growth policies like those advocated by the U.S. Chamber of Commerce would produce these results over the next five years:

- **A $544 billion increase in GNP;**
- **At least 1.4 million new jobs;**
- **More than $108 billion in added federal revenues.**

Lessons For Tough Times—And Better Times

By Kent Gibbons

You can't blame a small-business owner for wanting to forget the recession. But the survival skills that companies learn in bad times can keep paying dividends long after the good times roll again.

No lesson is more vital to small companies than asset management. Learn how to stay liquid, says James Howard, chairman of Asset Growth Partners, a consulting firm in New York.

Lack of cash always tops surveys of small-business complaints. Cash pays for growth, and a strong balance sheet can help a company negotiate better terms with a lender.

Here are some tight-belt tactics you can use even when you can afford to loosen the belt a few notches.

1. Keep inventory lean. Carefully record what you have in stock, ranking items by how fast they move and how soon they become obsolete. Compare how many times your inventory turns over each year with industry averages, which are available from trade groups.

It's better to cut prices of slow-moving items than pay carrying costs (interest, rent, spoilage, and theft), which can be 20 percent or more of inventory, says Howard.

2. Add staff slowly. Every employee taken on should produce at least the same sales or revenue per person as current staff. Try to cut back through hiring freezes and attrition. Avoid morale-damaging layoffs, especially if you had to downsize earlier.

"Take a clean slate and look at the whole situation," says Darlene Orlov, president of Orlov Resources for Business, a training and human-resources consulting firm in New York. "If you had no one and had to build a business from point zero, what kind of talent would you need?" Make a list of the key jobs, and fit your best people into the right jobs.

3. Cut better deals on purchases. Keep an eye out for discounts. Rather than rely on your suppliers for shipping, make your own freight-hauling arrangements to pocket a volume discount, says Bob Calvin, president of Management Dimensions, a consulting firm in Chicago.

A. David Silver, author of *The Inside Raider*, a book that describes how managers can use a corporate raider's techniques to boost their own company's performance, suggests places to buy supplies and services less expensively.

For example, telephone repackagers buy trunk lines from AT&T and resell them for 20 percent below prevailing rates. UniShippers Association, a discount air express service based in Salt Lake City, offers small firms the same volume discount (up to 50 percent) that big companies get for overnight letters. Barter arrangements, in which companies swap goods and services, can provide substantial savings while increasing business.

4. Stay on top of receivables. Don't ease up just because new orders are coming in. Start by checking with a credit-rating service such as Dun & Bradstreet or TRW before extending credit to a customer, says Paul Mignini Jr., president of the National Association of Credit Management, in Columbia, Md.

A credit check will give you an idea of how long the customer takes to pay bills. If it's too long, negotiate for a deposit, collateral, or personal guarantee before you do business with the customer.

If your arrangement is for payment within 30 days and you don't get it, call the customer on the 31st day. Send no more than one written reminder. Calling is more effective.

5. Reward customers. Service usually gets better in a recession. Keep it that way. For example, Gene Fairbrother, a small-business consultant in Dallas, suggests that retailers build a list of customers and hold occasional sales exclusively for them.

6. Remain open to employees. The best way to motivate workers in a recession is to tell them how tough times are, where costs have to be cut, and what goals each employee must achieve, says Dennis Jaffe, a management professor at Saybrook Institute in San Francisco. Keep that practice going when you have better news to share.

7. Shore up skills. There is nothing like a recession to show an entrepreneur where skills are lacking, says Alan R. Goldstein, a partner in the Boston office of Deloitte & Touche, an accounting firm. Take courses to boost your business-management know-how, or hire someone such as a chief financial officer or a marketing professional to give your firm the skills you may lack.

8. Write a business plan. It's more than just a blueprint to show bankers when you're strapped for cash. It's a management tool that describes a company's unique product, service, or people, says Marlene Sholod of the American Management Association, in New York. After you write it, use it, and share it with employees.

Kent Gibbons is a business reporter for The Poughkeepsie Journal, *in Poughkeepsie, N.Y.*

The small companies that are holding on "have really been taking punishment," especially those engaged in retailing and construction, says David Birch, president of Cognetics, a Cambridge, Mass., economics research firm. "Starting in the spring in 1990, small-business revenue growth went negative, and employment growth fell from 2.5 percent a year to 1 percent a year."

While most analysts expected a weak Christmas shopping season, Steven Moore, president of Moore Greens Inc., a wholesale floral distributor in Detroit, got an unexpected surge in sales. His orders for Christmas wreaths, garlands, swags, and the like suddenly sprang to life in late November, he says, and he was sold out by early December. "We ordered 5 to 10 percent less than last year. Now, Christmas sales are going to surpass last year."

American Express forecasts that continued moderation in operating costs and interest rates will give small companies a boost in 1992. But low interest rates won't do small firms any good if owners can't secure needed loans. Many complain of being credit-starved as banks cancel lines of credit and reject all but sure-thing loan applications.

A Federal Reserve survey of banks in October found many continuing to shrink maximum available lines of credit, increase loan rates relative to the bank's costs for borrowed funds, impose tighter loan covenants, and require higher collateral requirements.

"When you talk to the bank, it's such a discouraging story, why bother to go down and get a loan," says Tom Warner, president of the Warner Corp., a 200-employee residential plumbing and heating firm in Washington, D.C. He says he recently paid off a small real-estate loan rather than renew it. The bank wanted tougher terms even though his business was up 20 percent in 1991 and he expects to hire more employees in 1992.

The story is no different in other parts of the country. "The single biggest problem in this area is that we have a lot of great ideas, but when you go to the banks, they aren't loaning the money," says Craig Bean, director of the West Texas Small-Business Development Center, in Lubbock.

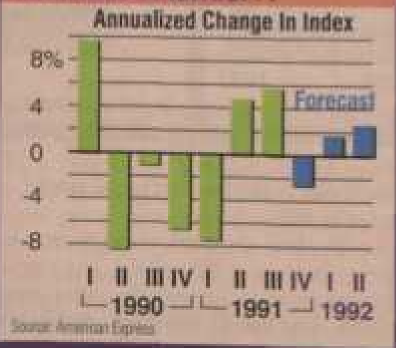
Bankers blame overzealous federal regulators, eager to rid bank balance sheets of bad real-estate loans, for what they term the current climate of "credit caution." And they point out that loan demand actually is low, which can be mistakenly interpreted as evidence of banks' refusal to make loans.

Despite the credit crunch, economist Birch remains confident that small, growth-oriented companies will lead the U.S. out of the recession. His own firm maintains a database on approximately 650,000 small, fast-growing companies "that represent the major hope for the next five years."

Outlook For Small Companies: Poor But Slowly Improving By Mid-1992

Small-Business Climate Index Turns Negative...

...As Index Of Demand For Goods And Services Remains Anemic...



...And Optimism Declines

CHART: MARCY MULLINS

Benedict Advertising, in Daytona Beach, Fla., would qualify as one of those companies. The firm was recognized as a 1991 honoree of the Blue Chip Enterprise Initiative, a program sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* magazine. The program identifies and publicizes enterprises that were particularly resourceful in solving problems.

"We did extremely well in '91," says James Benedict, president of Benedict Advertising. "We do well in recessionary times because many of our clients who have been with us for a number of years look at a recession as a time to increase advertising to build market share." He cited as examples ad campaigns for an auto dealer, fast-food franchisees, and a dinner theater.

David R. Stewart's company, Stewart Environmental Consultants, in Fort Collins, Colo., also has grown during the recession. The company, which employs 30 people, performs engineering and laboratory work to help businesses comply with federal environmental regulations. "We've been growing about 20 percent in sales a year, and we are very positive about the outlook for the future," says Stewart.

Benedict and Stewart are exceptions to the rule, however. Most small-business owners have felt the pinch of the prolonged slump, as anxious consumers have closed their pocketbooks until Washington does something to restore their faith in the economy.

By mid-November, the rising tide of bad economic news touched off a congressional scramble to propose tax cuts to jump-start the economy. (See "'92 Election Will Affect Tax-Cut Debate," on Page 22.) Democrats leaned most heavily toward cuts for the middle class, and Republicans pushed most strongly for cuts to spur investment. For his part, President Bush tried to stay above the fray, saying he doesn't want to get into a tax-cut "bidding war" with Congress.

Despite the lagging economy, Bush remained upbeat. During a Nov. 18 session with reporters, he maintained that the recession is over and that the economy is basically sound. The president also stressed the positive, saying: "Inflation is down. Interest rates are down. Personal debt is down. Inventories are down."

But so is the American mood. The number of Americans who say that "things" in the country have "pretty seriously gotten off on the wrong track" increased from 31 percent in January 1991 to 60 percent in October, according to a *New York Times*/CBS poll. By late November, only one American in four approved of the way President Bush was handling the economy, a disapproval rating unmatched since the days of double-digit inflation under President Jimmy Carter.

Business confidence, measured by the

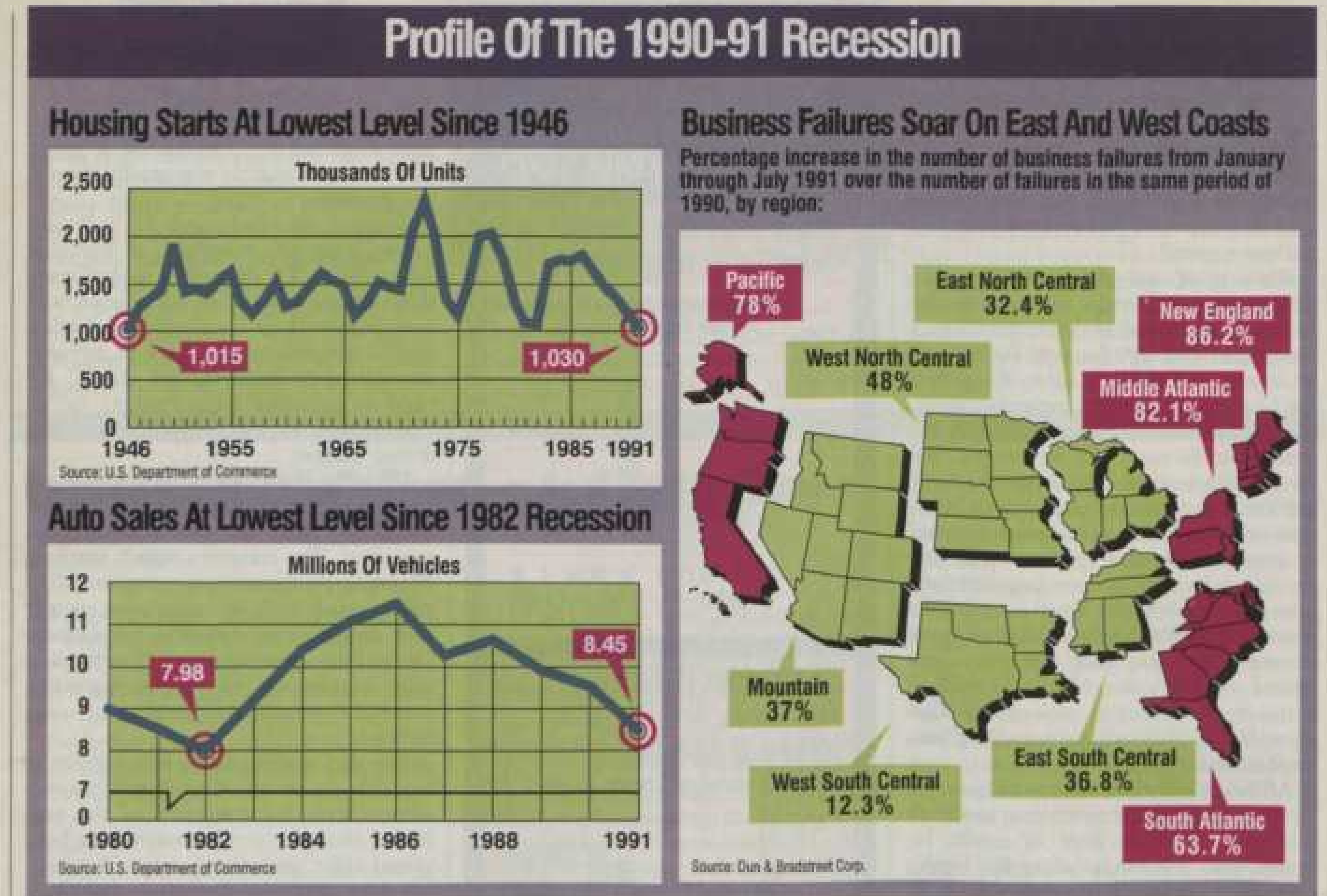


CHART: MARCY MULLINS

U.S. Chamber's Business Ballot poll, plummeted in October to an 18-month low. (See the chart on Page 17.)

Underlying this upsurge in pessimism is widespread anxiety about job security, falling personal incomes, and shrinking home values.

New claims for unemployment benefits surged in late November to nearly equal the peak level recorded early in 1991 during the depths of the recession. So far, 1.7 million jobs have been lost since July 1990, when the recession began.

Per-capita disposable income actually fell for an entire year beginning in the spring of 1990, the first time this has happened since 1954. The Census Bureau reports that median family income, adjusted for inflation, is lower today than in 1973. The nation's middle class feels pinched, and there's no relief in sight.

The amount left in paychecks after taxes also is shrinking. The 1990 budget deal between Congress and the White House raised payroll, gasoline, alcohol, and tobacco taxes. And deficit-ridden state and local governments threw cold water on the incipient recovery in mid-1991 by imposing $20 billion in new taxes. (See "Firms Could Face New State Taxes," on Page 23.)

According to the Tax Foundation, a Washington-based nonpartisan research organization, taxes at all levels absorbed a record 35.1 percent of Americans' incomes in 1991.

As if shell-shocked consumers don't have enough to worry about, the ongoing restructuring of America's major corporations continues to strip well-paying white-collar jobs from the economy at an alarming pace, says Dan Lacey, editor of *Workplace Trends*, a Cleveland-based newsletter. His publication tracks permanent job cutbacks announced by publicly traded companies. Those cutbacks hit a record level in the third quarter of 1991, averaging 2,200 jobs a day. The trend worsened in the beginning of the fourth quarter, averaging 2,500 cuts a day.

"The real trauma here," says Lacey, "is that these were the Ozzie and Harriet jobs that were supposed to create the American paycheck success story."

Compounding the growing sense of financial insecurity is the pervasive drop in home values. Owner-occupied real estate dropped in net value by $141 billion in 1990, the first countrywide drop in net asset value since 1946, says John Rutledge, chairman of Claremont Economics Institute, a research and investment advisory firm in Claremont, Calif. New England and the mid-Atlantic states, where the recession started earlier and has lasted longer, have been hardest hit. But lately even California has felt the effects of sharp deflation in home prices.

Rutledge says the problem began with the Tax Reform Act of 1986, when Congress increased the capital-gains tax on real estate and other assests and imposed passive-loss rules, which had the effect of limiting tax deductions on real estate. There has been a subsequent collapse in commercial real-estate and home values.

"The erosion of home prices has pushed down people's net worth," says Rutledge. "And most people view the equity in their homes as an ultimate safety net that they can tap for their kids' college education or their own retirement. Now they are having to replace lost equity value with money. And the only way you can do that is by not spending."

In fact, consumers are rapidly paying off debt, which reached record levels in the late 1980s. Between July 1990 and August 1991, according to the latest available figures, Americans reduced their installment credit balances in every month but two, typically by $1 billion or more each month.

Under the circumstances, it should come as no surprise that the Federal Reserve's yearlong policy of cranking down interest rates to breathe life into the economy has not produced the desired results.

Consumers already are saddled with a

heavy debt load from the past decade, and in the absence of anything to renew confidence in the future, going deeper in debt has little appeal.

That sour mood translates directly into depressed home construction and auto sales, cornerstones of past recoveries. Despite interest rates that are at a 14-year low, new-home starts are at their lowest level since 1946. And auto sales have fallen to their lowest level since 1982, during the depths of the last recession. (See the charts on Page 18.)

The question arises: How did we get into this mess?

Conventional wisdom holds that Iraq's invasion of Kuwait in August 1990 tipped the economy into recession by driving up oil prices and deflating consumer confidence. But even before that, the economy had been growing at an anemic rate.

Since the first quarter of 1989, when the economy grew at a rate of 3.6 percent, the nation's output of goods and services has failed to grow at an annual rate higher than 2 percent in any quarter. That stands in sharp contrast to the 4 percent average annual rate posted from 1983 to 1988.

Two key stimulants for growth in the 1980s were demographics and tax policy.

The oldest baby boomers, the postwar generation that accounts for one-third of the nation's population, were just 34 in 1980. As boomers matured over the decade, they bought homes at a furious pace and stocked them with furniture, appliances, and all sorts of electronic gadgets. And they started families, creating a baby-boom echo of rising annual births.

The "shop-'til-you-drop" generation got a green light for consumption from federal tax policy, says James W. Hughes, a professor of urban planning and policy development at Rutgers University. The 1981 Economic Recovery Tax Act cut federal taxes by 25 percent over three years. And the Tax Reform Act of 1986 slashed personal income taxes by mandating just two tax brackets, 15 percent and 28 percent.

But the 1986 Tax Reform Act also planted the seeds of the current economic slowdown, according to many economists. Although the law cut personal income taxes, it also boosted business taxes in a number of ways that dampened investment and job creation.

The act "repealed the investment tax credit, cut the value of depreciation allowances by lengthening asset lives, and began treating capital gains as ordinary income," says Stephen J. Entin, resident scholar at the Washington-based Institute for Research on the Economics of Taxation. He calculates that these changes have deprived the economy of some $300 billion in investment over the past five years, slicing about one percent-

Intitial Stock Issues Set Record Pace

By David Craig

Although the bleak economy is hurting many small businesses, some are taking the downturn in stride. Initial public offerings of stock from small, growing companies soared to a five-year high in 1991, signaling investors' eagerness to bet on up-and-coming firms.

Barring a year-end stock-market collapse, the IPO—initial public offering—market was on track to launch 403 small companies in 1991, raising an estimated $18.2 billion from first-time stock sales, according to Securities Data Co. in New York. That would set a record, topping the $18.1 billion raised in 1986, when IPOs numbered 701. The fact that 1991 was a recession year makes the tally even more impressive.

There are two main forces behind the current success of the IPO market, and both stoked investors' seemingly insatiable appetite for stock in young companies that hold the potential for explosive growth.

First, many other investments have lost much of their attractiveness. Real estate can no longer be counted on for steady and strong appreciation—let alone the double-digit annual growth rate that many homeowners grew accustomed to in the 1980s.

Yields on certificates of deposit have fallen to eight-year lows, and rates on bonds don't look much better.

In the stock market, the outlook for large blue-chip companies is not nearly as optimistic as the scenario many analysts see for smaller companies.

In a recession, small, publicly traded companies tend to be hurt more than larger, more established companies, but they also enjoy much more rapid sales and

CHART: DEBORAH J. HUMPHRIES

earnings growth when the economy finally recovers.

Second, the speculative appeal of small companies is a force driving the IPO market. Investors want to get in early on companies they hope will be the next Microsoft or Amgen—once-unknown companies that have generated billions in stock profits for shareholders.

The speculative fever pervading the IPO market has created some huge price gains, particularly in biotechnology stocks. Stocks such as Alteon and Immune Response skyrocketed the day of their IPOs and kept right on going. Although the mid-November stock-market shock took away some of the appeal of biotech stocks, it certainly didn't sour investors' pursuit of IPOs.

The big question is how long the IPO boom can continue. Early in an IPO boom, underwriters tend to offer higher-quality companies that they know investors will be willing to buy. But as the IPO market heats up and investors get less selective, underwriters know they can also bring lower-quality companies public and still find willing investors.

When an IPO market finally cracks, many investors who bought the more speculative, lower-quality offerings may find themselves holding worthless paper. Raymond F. DeVoe, a stock analyst in the New York office of Legg Mason Wood Walker Inc., did a study of the wave of electronics companies that went public in 1968—what he calls the "Great Garbage Market"—and says nearly 95 percent of those companies weren't around 20 years later.

For now, though, small companies willing to go public have a ready source of capital in IPOs. As long as investors don't get burned again soon, they probably will be willing to invest their money and take a shot at sharing in the fortunes of small, high-growth companies.

David Craig writes for the Money section of USA Today.

age point annually off GNP and indirectly cutting the growth of jobs and wages.

The late 1980s also produced a rapid rise in federal social regulations—those designed to achieve a measure of safety, health, environmental quality, and economic opportunity. Critics maintain that these regulations often impose major new costs with little measurable benefit.

"As dozens of comprehensive analyses and studies have uncovered, most social regulations have been costly and of limited effectiveness," concludes a recent study by the Institute for Policy Innovation, a Dallas-based public-policy research institute. The study maintains that the "combined effect of all government regulations may be costing Americans between $400 [billion] and $500 billion annually, or a staggering $4,000 to $5,000 per household per year."

The study warns that the economic drag of social regulation will only worsen unless Congress takes steps to rein it in. Chief among its recommendations is that the cost of new regulations should be weighed against benefits, and those benefits should be measured by "good science" as opposed to vague policy goals.

Congress in recent years has only compounded the nation's tax and regulatory problems. The Americans with Disabilities Act, which takes effect in stages beginning Jan. 26, has spawned a thriving cottage industry among consultants eager—for a price—to decipher the law's often vague requirements on businesses.

Moreover, the 1990 budget agreement between Congress and the White House has backfired. Although the deal was designed to eliminate the federal deficit over five years, it actually permitted the largest peacetime deficit in the nation's history in fiscal 1991—$269 billion. And the deficit in fiscal 1992 is projected to reach $348 billion.

This mounting debt load serves as a powerful brake on the growing bipartisan urge in Congress to cut taxes to stimulate the economy—the standard jump-start procedure applied in past recessions. But tax cuts now collide head on with the 1990 budget deal because it requires that any cut in federal revenue be offset by a corresponding rise in taxes elsewhere or a decrease in spending. Without that constraint, many economists fear, tax cuts would drive the federal deficit even higher, triggering a rise in interest rates that would choke off the recovery.

Mindful of these concerns, President Bush and many congressional leaders currently defend the budget deal. But the pressures of election-year politics seem certain to put tax cuts on a fast track through Congress early this year.

A cut in the capital-gains tax would play an important role in boosting small-business growth in the 1990s, says economist Birch. Even though initial public offerings of stock soared in 1991, he maintains that "right now, there is no logic to investing in growing companies." (See the box on Page 19.)

"Under current capital-gains law," says Birch, "the return on investment in a venture-capital portfolio [of new companies] works out to about 10 percent." Emerging growth companies are "the only healthy sector in the economy, and we're strangling it" with capital-gains taxes, he says.

Advocates of broad-based tax cuts argue that they, in conjunction with spending restraint, would spur sufficient growth to keep the deficit under control. According to a Congressional Budget Office study, a pro-growth package that succeeded in raising GNP one percentage point above what is forecast would produce new revenues and spending cuts having a cumulative deficit reduction impact of $258 billion over five years. (See the chart above.)

Deficit Reduction Via Growth

Impact On The Deficit Of A One Percentage Point Increase In Real GNP

(Dollar amounts are in rounded billions.)

	'92	'93	'94	'95	'96
New Revenues	$7	$23	$40	$60	$80
Spending Savings	1	4	8	14	21
Deficit Reduction	8	26	48	74	102
Cumulative Deficit Reduction	8	34	82	156	258

Source: Congressional Budget Office

CHART: KATHLEEN VETTER

U.S. Chamber economists maintain that without broad-based tax and spending cuts, the economy will remain stuck in low gear for years to come. The first step in rebounding from the current malaise is to set a goal of 4 percent annual growth for the remainder of the decade, rather than settle for the consensus forecast of 2.5 percent, they contend.

To reach that goal, the Chamber advocates further federal spending restraint as well as the following package of tax relief for families, workers, savers, investors, and entrepreneurs:

- Give families a $300 tax credit for children ages 6 to 18 and a $1,000 credit for children under 6. A family whose taxes are less than the credits they could receive would not be paid the difference, however.
- Reduce the top capital-gains tax rate to 15 percent for individuals and corporations, and cut the rate to 7.5 percent for lower-bracket individuals. Also index capital gains for inflation, thus protecting gains produced by inflation from taxation.
- Restore depreciation for investments in plant and equipment to the faster write-offs permitted before 1986 Tax Reform.
- Establish a new type of Individual Retirement Account that would permit penalty-free early withdrawals for first-time home buyers and a child's college expenses.
- Repeal the passive-loss limitations that bar investors in rental real estate from taking the same kind of tax deductions for losses as investors in other types of ventures not related to real estate.
- Establish research incentives, including making the research and experimentation tax credit permanent.
- Cut the Social Security payroll tax by 2 percentage points, one each for employer and employee, from its current combined rate of 15.3 percent on the first $55,000 of wages.

In addition to these tax cuts, the Chamber also favors a moratorium on all new federal regulations until the economy has achieved a 4 percent annual growth rate and a new process has been created to evaluate the costs and benefits of regulations.

"We don't argue that there is anything Congress can do to jump-start the economy this year [1992]," says MacReynolds, the Chamber's chief economic forecaster. "The fact that there will be $50 billion in new taxes [at all levels] this year and new regulatory compliance costs of $70 billion means there is no way to jump-start the economy. But over the long term, we can improve economic growth to 4 percent on an annual basis, returning it to the trend set in the 1960s and again between 1983 and 1988. It is possible to re-create those conditions. Both of those expansions started with tax cuts."

Without swift action on broad-based tax cuts, it is doubtful that most Americans will be better off four years from now than they are today. Many are looking to President Bush for leadership.

Says Ewald Males, owner of E&M Electric, an electrical contractor in rural Fennville, Mich.: "I voted for George Bush. I thought he was a good man. But right now, he is paying a lot of attention to what goes on outside of the U.S and letting everything go right here at home. He has really let a lot of Americans down, and I'm one of them." NB

To order reprints of this article, see Page 69.

Van B. Hooper
President of Hooper International
and Author of Hooper Software

I'll Show You How To Increase Your Income and Manage Your Money Like a Financial Whiz!

I PERSONALLY GUARANTEE COMPLETE SUCCESS WITH MY FREE UNLIMITED TELEPHONE SUPPORT AND NINETY DAY REFUND OFFER.

"Americas No. 1 Check Writing and Accounting Software For Non Accountants."

FREE 90 DAY TRIAL OFFER!

NOW, SAVE THOUSANDS OF DOLLARS A YEAR IN ACCOUNTING FEES AND AVOID I.R.S. AUDITS WITH THIS USER FRIENDLY CHECK WRITING AND ACCOUNTING SOFTWARE.

Most Executives, Professionals and Business Owners simply don't have the time to learn the necessary accounting principals for effective management of their affairs. On top of it all, the I.R.S. makes endless demands for more comprehensive records.

With Hooper Accounting Packages, you are immediately more productive. All you have to do is follow the easy-to-understand instructions. You control your finances instead of allowing your finances to control you. This enables you to spend more time at what you do best — **Making Money**!

Hooper packages are inexpensive and are written in plain, simple, language. A friendly and helpful support staff is always available to courteously answer any and all of your questions, free of charge. Hooper takes the mystery and awe out of using accounting software!

Take advantage of the 90 day free trial offer today. You have all to gain and nothing to lose. Act now!

"Hooper Software Does Much More Than Quicken, Is More Powerful Than Pacioli and is Immensely More Easy To Use Than Dac Easy."

90 DAY FREE TRIAL.

YOUR GUARANTEE OF SATISFACTION!

Your absolute satisfaction is our number one priority. That's why we invite you to try Hooper Software for a full 90 days without risk or obligation. If you are not completely satisfied, you can return the software for a full and cheerful refund. No questions asked.

WE SHIP ALL ORDERS BY FEDERAL EXPRESS

CHEQUE-IT-OUT ™

The user friendly personal accounting software that helps you manage your affairs with complete accuracy. Ideal for executives, professionals and small business.

Sample Listing of Hundreds of Cheque-It-Out Features:

- Works under Windows or DOS.
- Handles and feels like your checkbook.
- Know your account balances at all times.
- No accounting experience necessary.
- Full general ledger.
- Automated Double Entry System.
- Complete range of reports instantly available.
- Intuitive pop up windows.
- Mouse compatible.
- Over 3,000 screen color selections.
- Unlimited transactions.
- Context sensitive help screens.
- Tracks outstanding checks.
- Pop-up calculator.
- Operates in calendar or fiscal year mode.
- Unlimited free telephone support.

Only $69.95 Plus $5 Shipping & Handling

TAKIN' CARE OF BUSINESS! ™

The simple-to-use software that will help you succeed in business. It will enable you to operate more efficiently and effectively, improving your bottom line.

Includes All Features of Cheque-It-Out Above, Plus:

- Leading Edge Accounts Receivable Operating & Reporting Package.
- Advanced Accounts Payable Operating & Reporting Package.
- No accounting experience necessary.
- Unlimited free telephone support. And much more.

Only $149.95 Plus $6 Shipping & Handling

PAYROLL-MASTER ™

Provides everything you need to professionally manage your payroll function.

Sample Listing of Dozens of Payroll-Master Features:

- Designed to be fully compatible with all other Hooper software.
- Automatic Tax Collections.
- Prints W-2's and 1099's.
- No accounting experience necessary.
- Manages employee vacations, sick time, overtime and holidays.
- Supports up to 1,000 employees.
- Unlimited free telephone support.

Only $69.95 Plus $5 Shipping & Handling

ORDER TOLL-FREE 1-800-525-9200

or send check or money order to:

HOOPER INTERNATIONAL, INC.
"The Accounting People"
P.O. Box 49711, Dept. 10
Colorado Springs, CO 80949, USA

Copyright 1992 by Excel American and Hooper International, Inc.
Cheque-It-Out, Takin' Care Of Business! and Payroll-Master are trademarks of Hooper International, Inc.
IBM, Quicken, Pacioli and Dac Easy are trademarks of their respective owners.
All Hooper software operates with IBM PC-DOS or compatible computers.
Specify 5-1/4" or 3-1/2" floppy disk.

'92 Election Will Affect Tax-Cut Debate

1992 Outlook for Small Business

By Joan C. Szabo

When federal lawmakers return to Capitol Hill in January, the stage will be set for a tax debate shaped by election-year dynamics. In the recently completed first session of the 102nd Congress, Democrats and Republicans proposed a variety of tax changes designed to stimulate the ailing economy. Because the two parties' announced goals were essentially the same—to boost the economy—a bipartisan compromise in 1992 appears to be a strong possibility.

However, election-year politics—which often provide curious twists in the crafting of legislation—could make a compromise on tax cuts impossible.

The main question is whether the Democratically controlled Congress will be more intent on creating jobs and increasing economic growth or on defeating Republican President George Bush, who could be held accountable by voters in the November presidential election if no economic action is taken and the economy remains sluggish.

Bush, who has been coming under increasing public pressure to boost the economy, has been reluctant to push for tax cuts. However, he is expected to propose some reductions, including some cuts for individuals and a capital-gains tax cut, early in 1992.

Bush did not push the capital-gains issue in 1991 because Congress and the administration differed widely in estimating the revenue impact from such a cut. Congress' "static" estimates, which do not take into account the potential revenue increase from economic growth, projected a significant revenue loss from a cut; the administration projected a significant gain.

Bush will be under political pressure to propose cuts from Republican presidential challenger Patrick J. Buchanan, who recently entered the race calling for tax reductions. Buchanan is a political commentator who has served as a senior adviser to Presidents Nixon, Ford, and Reagan.

The tax proposals that were introduced in Congress in 1991, and which will be pending when Congress returns in January, range from tax cuts for middle-income and lower-income Americans to a reduction in capital-gains tax rates. Several of these proposals are expected to gain greater support during the second session of the 102nd Congress.

Looming as a significant roadblock to any tax reduction is the projected effect such a measure would have on the federal deficit. The 1990 budget agreement requires Congress to offset any revenue losses or spending hikes with new revenue or equivalent spending reductions. Finding a satisfactory way to overcome this restraint and enact a tax cut—which is automatically scored as a revenue loser by Congress' Joint Committee on Taxation—is a major challenge facing lawmakers.

PHOTO: ©PAULA BRONSTEIN—BLACK STAR

State-level concern *about taxes could affect the national tax debate.*

You can tell Congress and the administration what you want them to do about taxes. See the Where I Stand survey on Page 68. Results summarizing the small-business position on tax policy will be sent to Capitol Hill and the White House.

Several Democratic proposals focus on the so-called fairness issue. The proponents of those bills claim that upper-income taxpayers do not pay their fair share of taxes and should be the target of any tax increase that might be enacted to provide tax relief for others.

"Shifting the tax burden from one group to another has political appeal, but it will not encourage long-term economic growth," says Thomas P. Brock, president of the accounting firm of Brock, Buchholz & Stow, in Longmont, Colo. Brock, whose clients are primarily small firms, says a capital-gains tax cut and other incentives for business investment are needed to help revive the economy.

One of the principal Democratic measures is that of Rep. Dan Rostenkowski, D-Ill., chairman of the House's tax-writing Ways and Means Committee. His bill seeks tax relief for low- and middle-income Americans by boosting taxes on upper-income taxpayers. The measure—which would provide a tax cut to 90 million households, or 80 percent of all taxpayers—would provide tax relief of an estimated $200 to $400 per year for those earning $20,000 to $75,000 per year.

The Ways and Means Committee began hearings in December on Rostenkowski's bill, which proposes establishment of a permanent fourth income-tax bracket of 35 percent. The panel chairman's plan would increase taxes for the top 1 percent of all taxpayers—couples with taxable income of more than $145,000 and individuals with more than $85,000.

In addition, Rostenkowski's proposal would impose a 10 percent surtax on individuals with income of over $1 million; it would affect about 60,000 taxpayers.

The total plan would cost an estimated $46 billion.

Another key Democratic measure would provide tax relief for middle- and low-income Americans, but not at the expense of high-income taxpayers. Introduced by Sen. Lloyd Bentsen, D-Texas, chairman of the Senate Finance Commit-

tee, the measure would provide middle-income taxpayers with a $300 tax credit for each dependent child under age 19.

Bentsen's bill also would expand the Individual Retirement Account program so that all taxpayers would be eligible to deduct from taxable income up to $2,000 a year. This measure would be financed with a 5 percent reduction in defense spending beyond the decreases currently planned over the next five years.

"The collapse of the Soviet Union means we can make more significant savings in defense spending than contemplated in last year's budget agreement," Bentsen told the Senate when he introduced the measure.

On the Republican side, legislation introduced in the past session by Rep. Tom DeLay, R-Texas, and Sen. Malcolm Wallop, R-Wyo., calls for a reduction to 15 percent in the maximum capital-gains tax rates for corporations and individuals. The maximum rates currently are 34 percent for corporations and 28 percent for individuals. The measure would reduce the rates for those in the lowest tax bracket to 7.5 percent.

The DeLay-Wallop bill would also reduce the Social Security portion of the FICA payroll tax to 5.3 percent from 6.2 percent for both employers and employees. The total FICA tax paid by employers is 7.65 percent per employee; employees also pay the tax at a 7.65 percent rate. The Social Security tax is 6.2 percent of the 7.65 percent, and the Medicare hospital-insurance tax is 1.45 percent.

The DeLay-Wallop bill also calls for a "neutral-cost-recovery system" for indexing depreciation schedules for inflation. In addition, it would let persons make deposits with after-tax funds in Individual Retirement Accounts and to withdraw deposits after age 59½ without paying taxes on interest earned on those deposits.

A more recent pro-growth proposal, from Rep. Vin Weber, R-Minn., and Sen. Robert Kasten, R-Wis., is similar to the DeLay-Wallop measure but differs in two major areas. It would not reduce the Social Security payroll tax, but it would provide a $300 credit for each child age 6 to 18 and a $1,000 credit for each child under age 6.

"We have to extend pro-growth tax relief to all income classes and all taxpayers," Kasten maintains. He says the measure would be financed by revenues generated by increased economic growth and by defense cuts.

As the tax-policy debate intensifies in 1992, tax-policy experts say, a compromise that combines Democratic and Republican measures could ultimately win approval. "There are certain consistencies in all the tax-cut packages that could help produce a compromise," says Benson Goldstein, manager of the Tax Policy Center of the U.S. Chamber of Commerce.

The Chamber supports a number of pro-growth tax changes as well as further spending restraint. (For details of the Chamber's proposals, see Page 20 of the Cover Story.)

There already is discussion among some Democrats and Republicans about revising the 1990 budget agreement to take into account recent economic and defense-policy changes and to allow for more flexibility to reduce taxes.

Whether Congress will adopt such a strategy depends on the health of the economy. But it is certain that at least some leading Democrats will continue to press the "fairness" issue and advance proposals for middle-class tax relief at the expense of upper-income taxpayers.

This issue will continue to emerge as a harbinger of the 1992 presidential and congressional election campaigns. NB

Firms Could Face New State Taxes

By David Warner

Tax increases adopted last year in states nationwide are taking their toll on small business, adding to recessionary pressures, and making the 1992 economic outlook in the states anything but rosy.

Laws to raise nearly $20 billion in new taxes and fees were enacted in 35 states in 1991. They added up to the largest state-level revenue increase ever, doubling the record level of state tax hikes set the previous year.

Moreover, the states' tax hikes came on top of increases in local taxes nationwide. Altogether, states and localities increased their taxes by an estimated $50 billion, according to Lawrence A. Hunter, acting chief economist of the U.S. Chamber of Commerce. State business levies—corporate taxes, personal income taxes paid by unincorporated businesses, and business-related fees—accounted for over half of the $20 billion hike in state taxes.

California, Connecticut, New York, Pennsylvania, and Texas accounted for most of the total increase in dollars, but smaller states, such as Arkansas and New Hampshire, increased their rates significantly over 1990 tax-collection levels. (See the chart on Page 24.) The increases already have been blamed for business setbacks. For example, after Pennsylvania enacted a $3.3 billion tax increase last August, CMI, an Upper Darby commercial collections agency, lost business to out-of-state competitors and had to lay off three of its 29 employees, says the firm's president, Howard K. Seiverd.

Pennsylvania's tax increase included a rise of nearly 4 percentage points in the corporate net income tax, a new 6 percent sales tax on certain services, and a 1 percentage point hike in the personal income tax rate.

Seiverd, who notes that the layoffs were the first in CMI's 15 years of operation, says the tax increase also hurt another facet of the business—its office-rental operations. The sales tax on services, he says, forced one of his commercial tenants to cancel its lease and move to New Jersey, where there is no tax on the type of services offered by the former tenant.

Dane Halbert, vice president of Trimmer Lawnmower Co., and most of his 20 employees moved from Los Angeles to Reno, Nev., when the firm was relocated after California increased taxes $7.3 billion—the largest increase ever by a state. The tax hike translated into fewer sales and smaller profits for the firm, says Halbert. "I was losing business. I was getting ready to go under; that's why we got out. We just couldn't afford it anymore."

California raised nearly $4 billion by increasing its sales tax to 7.25 percent from 6 percent and imposing it on products that had been exempt. It also created new personal income-tax brackets, which pushed more taxpayers into higher-rate brackets; increased the alternative minimum tax on corporations; and limited certain tax credits and deductions. Those tax-law changes are expected to raise $2.3 billion. The remaining $1 billion of increases will come from other sources.

Before California increased its taxes, the previous record holder was New Jersey, which boosted taxes $2.8 billion in 1990. (New Jersey actually had a net tax decrease in 1991 after repealing the sales tax on disposable household paper products.)

The 1990 New Jersey increase was a key factor in the state's November 1991 election results, which shifted control of the state legislature from the Democrats to the Republicans. Previously, there had been no effective check against Democratic Gov. James Florio, who incurred public ire when he raised taxes in 1990 to reduce a projected state budget deficit.

COVER STORY

TOP TAX INCREASES IN 1991

Largest Increases In State Taxes And Fees Taking Effect In 1992

TOTAL TAX HIKES IN MILLIONS	
1. California	$7,287
2. Pennsylvania	3,250
3. Texas	1,130
4. New York	1,406
5. Connecticut	1,067
6. Illinois	843
7. New Jersey	629
8. North Carolina	606
9. Tennessee	352
10. Minnesota	351

PERCENTAGE INCREASE OVER 1990 COLLECTIONS	
1. Pennsylvania	24.0%
2. Connecticut	20.2
3. Maine	17.0
4. California	14.7
5. Vermont	13.5
6. Arkansas	11.7
7. Rhode Island	10.6
8. New Hampshire	10.4
9. Nevada	8.8
10. Louisiana	7.7
North Carolina	7.7

Source: National Conference of State Legislatures

In Texas, state taxes were raised by $1.1 billion in 1991. The legislature increased the franchise tax on business inventories by 4.5 percentage points and added a corporate income tax, the first tax on any income in Texas history. In addition, local property taxes went up $2.1 billion to pay for education.

Coupled with a sagging economy and cuts in defense spending, the new taxes mean times will be that much tougher for Cyco Manufacturing Co., which makes military aircraft parts in Arlington, Texas.

"[The taxes] are certainly not going to create any new jobs in Texas. They will be detrimental to the economy," says Kent Grusendorf, the firm's president and a state legislator representing Arlington.

Grusendorf, who has 20 employees at Cyco, voted against the tax hike.

Mark Cahoon, executive director of the Committee on State Taxation (COST), a tax-policy group in Washington, D.C., says: "For taxpayers generally, business taxpayers included, this past year was a very difficult year. States found themselves with an existing [1991] budget that was just much too optimistic. They had to make adjustments."

Despite the 1991 tax hikes, states face further financial hardship in 1992. According to the National Conference of State Legislatures, in Denver, states are expected to see little growth in general revenues. New York, for example, is projecting a revenue increase of only $500 million for fiscal 1992 although it enacted nearly $1.5 billion in new taxes and fees in 1991. "If revenues aren't coming in as anticipated," says Corina Eckl of the state legislatures group, "then states have to do something: They have to cut [budgets], or they have to increase taxes."

Cahoon adds that many states had reserves to draw upon and "could move revenues from one fund to another fund. Many states have exhausted those types of fiscal maneuvers. The cushions aren't there anymore."

Indeed, the legislatures' conference found that 32 states expect to hold revenue reserves of less than 5 percent of expenditures, the minimum percentage recommended by financial analysts.

But do gloomy forecasts mean states will increase taxes significantly again in 1992?

Not likely, says Raymond C. Scheppach, executive director of the National Governors' Association. Most states raised taxes about as much as they dared over the past two years, he says, and he projects that "everything else is going to come out of the spending side."

The November 1992 elections will serve as another source of pressure on state lawmakers to hold the line on taxes. In November, voters in 44 states will elect state legislators. (Louisiana, Mississippi, New Jersey, and Virginia have elections in odd-numbered years; Alabama and Maryland hold their next statewide elections in 1994.)

"The political dynamic [of tax increases] is that legislators all over the country saw what happened in New Jersey, where the Democrats just got wiped out because of Florio's tax increase," says Stephen Moore, director of fiscal-policy studies for the Cato Institute, a public-policy research organization in Washington, D.C. "Any talk of new taxes in '92 is going to lead to the ending of political careers."

Yet there is talk in Florida, New Hampshire, Tennessee, and Texas of enacting personal income taxes, and some states may consider significant corporate-tax hikes in 1992, according to Moore.

Maryland Gov. William Donald Schaefer said in early December that he will propose tax hikes to help reduce his state's projected budget shortfall.

Forced to pay more of the share of services once paid for mostly by the federal government, states' budget-cutting options have become limited in recent years.

"Legislators don't want to cut services," says Moore, "but they're in this big budget hole, and they've almost reached the point where they've saturated the economy with new taxes. States face a huge dilemma." NB

BEFORE YOU SPEND A FORTUNE, LET US GIVE YOU OUR TWO CENTS.

If you're thinking about expanding your business, you can never be too well informed. About construction costs. Contractors. Aesthetics. Functionality. It all adds up. At Varco-Pruden Buildings we specialize in helping businesses prosper. Varco-Pruden's leadership position has been earned by its advanced computer design techniques (Custom Concept) and superior services that back authorized Varco-Pruden contractors. That means you maximize your return on investment. If you're thinking about building a facility, call today for our free brochure, "A Guide To Building Planning And Construction." We can help build your future.

1-800-238-3246

Varco-Pruden Buildings
A United Dominion Company
Built On Superior Service

NB-01-92

Circle No. 9 on Reader Service Card

A Mixed Review On Congress

A look at congressional action—or inaction—over the past year on issues important to small business.

By Robert T. Gray

The record of the 102nd Congress at midterm is decidedly mixed, as far as business is concerned.

Passage of a major highway-policy bill was a significant plus, while enactment of a strong measure on workplace discrimination represented a strong defeat for business worried about the legislation's eventual toll in regulation and litigation.

PHOTO: ELES MOORE—UNIPHOTO

Organized labor failed to win passage of a bill to ban striker replacements.

Otherwise, much of the congressional record for 1991 was written in terms of inaction and indecision. In some cases, deferring decisions supported business' strategy against various new federal involvements in the private sector.

In other cases, most notably that of incentives for economic growth, inaction was a strong negative. For details on that issue, see the Cover Story, beginning on Page 14.

All pending measures remain on the lawmakers' agenda as they begin their 1992 session, which will be held against the politically charged background of presidential and congressional elections.

Here is a report on developments, or the lack thereof, on measures of top interest to business in the 1991 congressional session:

Highway Policy

A six-year, $151 billion surface-transportation bill approved by Congress was viewed as a major economic stimulus for the weakened national economy.

The measure provides an average of nearly $20 billion a year for highways, bridges, and road-safety programs and $5.25 billion for mass transit, with both numbers representing significant increases over current spending.

The measure continues the current federal gasoline tax of 9.1 cents per gallon and provides for continuing to 1999 the additional 2.5 cents per gallon tax that was scheduled to expire in 1995.

The massive bill is the starting point for a new era of U.S. highway policy now that the interstate highway system, launched in 1956, is almost completed. Under the 1991 measure, the strong federal control of highway decisions that dominated the interstate era will be largely turned over to states and cities.

Civil Rights

A White House-Congress compromise cleared the way for passage of long-pending legislation aimed at job discrimination in the workplace. President Bush, with strong backing from business, had resisted earlier measures on the ground that they would have required hiring by quota to assure compliance and would have triggered extensive litigation against employers. He said that the compromise version, which he signed, met those objections, but business groups disagreed.

Provisions of the new law, which applies to companies with more than 14 employees, would prohibit employers from basing employment decisions on race, color, religion, sex, physical disabilities, or national origin.

(A detailed report on requirements that the new law imposes on business will appear in the February issue of *Nation's Business*.)

Tax Deductions

Congress extended for six months several tax deductions and credits that apply to businesses. The action covered the 25 percent deduction on health-insurance premiums paid by the self-employed, tax treatment of employer-paid educational assistance, the research and experimentation tax credit, the targeted-jobs tax credit, and small-issue manufacturing bonds.

PHOTO: MERLE CHERNEY—UNIPHOTO

Congress rejected major parts of President Bush's banking-reform plan.

The cost of the continuation of the deductions and credits will be offset by a change in rules governing payment of estimated corporate taxes. Present law requires quarterly payments totaling at least 90 percent of the liability. Anything less represents an underpayment subject to additional taxes. Under the 1991 change, the threshold goes to 93 percent for 1992, 94 percent for 1993 and 1994, and 95 percent for 1995 and 1996.

Congress will have to decide again in 1992 whether to extend the tax treatment of the various areas and under what circumstances.

Striker Replacement

Business won a strategic victory in blocking enactment of a measure that would have prevented employers from replacing striking workers under any circumstances. Such replacement is now permitted when employees walk off their jobs in circumstances that do not involve unfair labor practices by the company.

The bill's principal backing came from organized labor. Although the measure was passed in the House, the 247-182 vote showed there was insufficient support to override the veto promised by President Bush if Congress sent the bill to him.

Passing the striker-replacement legislation is organized labor's top goal in this Congress.

Mandated Benefits

Small-business opposition continues to be the principal barrier to strong drives in Congress to mandate the type and scope of benefits that employers must provide to workers.

The two leading issues in this category are health coverage and family/medical leave.

In the debate about mandated health benefits, a major dispute is over the so-called "play-or-pay" requirements. Under such proposals, employers who do not provide health insurance to their workers would be taxed at up to 9 percent of payroll to finance coverage for uninsured workers.

With health care looming as a major issue in the 1992 presidential election campaign, Congress this year will be looking at legislation ranging from private-sector approaches to some form of nationalized medical care.

While supporting the goal of universal coverage, business is urging an approach that essentially relies on the private

Nation's Business Reviews LegalPartner™
October, 1991

Add A Legal Partner To Your Business

From time to time, we've written about software capable of providing limited legal guidance and an array of legally binding documents. As we've noted, all are good,– as far as they go.

Recently we acquired a package that goes much farther than most, LegalPartner by CommonTouch, Inc., of Newton, Mass. (1-800-762-6789).

Unlike the other packages, which were written mostly for personal use, LegalPartner is almost strictly for business. It provides about 150 documents binding everywhere except in Louisiana (which has a unique legal code) for firms of all sizes. These documents range from simple promissory notes and powers of attorney to noncompetition agreements and corporate minutes.

Of special interest may be personnel-related documents including agent, representation, sales and executive employment, and termination agreements.

LegalPartner comes with clear, concise documentation and is a snap to install and run. It is currently available only from CommonTouch for $99.95.

1-800-762-6789

Low priced time recorders designed for small businesses.

For payroll and job timekeeping. Choose from a wide selection of economical models and options to fit your business needs.
PHONE TOLL FREE
1-800-241-4990
(in CA call 1-800-352-4314; in Georgia call collect 404-691-0400)
or mail coupon

LATHEM TIME RECORDER COMPANY
174 Selig Dr., S.W., Atlanta, GA 30378
Please send me complete information about low priced Lathem time recorders.
Name
Company
Address
City/State/Zip
1199

Lathem®
TIME RECORDERS
PROGRAM TIMERS
TIME STAMPS
WATCHMAN CLOCKS
MASTER SYSTEMS

Circle No. 32 on Reader Service Card

LEGISLATION

sector rather than a costly, sweeping plan that looks to government for resolution of the problem.

Under legislation on family and medical leave that carries over into next year, employers of more than 49 workers would be required to grant them up to 12 weeks of unpaid time off to deal with family matters that include births and illnesses. The employees would be guaranteed reinstatement in the jobs that they had when they went on leave.

Both the House and Senate have approved family/medical leave measures but have not agreed on a single bill. In any event, President Bush has said that he would veto any such legislation, and the House vote did not indicate sufficient support to override him.

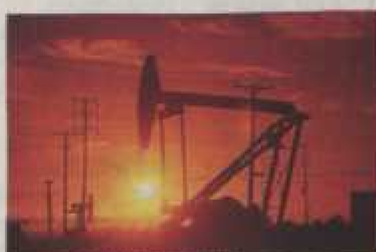
New policies were adopted on highways and mass transit.

Unemployment Insurance

A bill extending jobless pay beyond the previous maximum of 26 weeks became law. Unemployed workers are entitled to up to 20 additional weeks. The duration for each state depends on its unemployment rate and the number of its workers who exhaust benefits. The estimated $5.3 billion cost will be financed by retaining the federal unemployment payroll tax at 0.8 percent to 1996. It had been scheduled to drop to 0.6 percent. Additional financing will come from garnishees on wages of student-loan defaulters and from a change in the calculation of individuals' estimated tax payments.

Fast-Track Extension

Procedures for accelerated congressional consideration of trade agreements were extended for two years. Specific immediate applications include negotiation of a free-trade agreement with Mexico and revisions to the General Agreement on Tariffs and Trade, the basic mechanism governing global commerce.



A broad energy-policy measure stalled because of environmental opposition.

The accelerated procedures enable the president to submit proposed agreements to Congress for approval or rejection as negotiated. No amendments are permitted during that consideration. The procedure allows treaty negotiators to conclude agreements without concern that Congress will introduce additional provisions that would require further talks between the two countries.

Submission of the proposed treaty with Mexico is now scheduled for late in 1992. Negotiations on the agreement are a critical step toward the president's announced goal of a North American Free Trade Agreement covering this country, Mexico, and Canada.

Supporters of a free-trade arrangement with Mexico say that it would help both nations economically. Opponents argue that it would mean transfer of U.S. jobs to low-paying Mexican factories.

Energy

Legislation to establish a national energy policy was derailed by opposition to a provision for oil and gas exploration and production in a small part of the Arctic National Wildlife Refuge, believed to hold vast supplies of oil and natural gas.

The plan also called for standardization and streamlining of procedures for licensing nuclear power plants and spurring the development of clean-coal technologies.

Financial-Services Reform

President Bush's massive plan for revamping the financial-services industry bogged down in disputes over provisions to allow banks to enter the securities and insurance businesses through affiliates.

As submitted to Congress by the White House, the bill also would have limited deposit insurance, removed barriers to interstate expansion by banks, permitted industrial and nonbank commercial firms to own companies that provide banking and other financial services, and restructured the existing system of bank regulation.

As the bill moved through Congress, original provisions were abandoned one by one under pressure from opponents. As a result, the only major financial-services bill enacted into law provides $95 billion to cover costs of failures of banks and savings-and-loan institutions and tightens regulation of such institutions. Of the $95 billion, $70 billion is a loan to the bank insurance fund, which is nearly broke. The law calls for repayment within 15 years, with taxpayers underwriting any losses if those terms are not met.

The balance of $25 billion went to the continuing savings-and-loan bailout.

The bill also establishes provisions for increasingly more stringent regulation if a bank's soundness declines. Critics held that the tighter controls would intensify the credit crunch. NB

Women In Business

Bridging the corporate world and the woman's world; a lack of financial savvy; art for the sake of women's social concerns.

By Sharon Nelton

ENTERPRISE

A Corporate "Star" Now On Her Own

One of this country's "star" women executives has quit corporate life to join the wave of women entrepreneurs. Nancy Woodhull left Time Publishing Ventures, the new-business division of Time Warner, this past November to launch Nancy Woodhull & Associates Inc., a consulting firm aimed at helping companies enhance profits by increasing their understanding of women as employees and as consumers.

"We need some bridges between the corporate world and the woman's world," says Woodhull, who was executive vice president and editor-in-chief of Southern Progress Corp., a Time Publishing Ventures unit based in Birmingham, Ala. She was previously president of Gannett News Service and of Gannett New Media, the research and development arm of the Gannett Co.

Woodhull already has her first client: her last employer. She will be developing strategies to help Time Publishing understand and attract women readers for its two book-publishing operations and such magazines as *Southern Living, Cooking Light, Parenting,* and *Martha Stewart's Living.*

In addition, Woodhull has entered into an agreement with American Opinion Research, a national market-research company based in Princeton, N.J., to develop an annual syndicated study to track attitudes and actions among women.

In a new venture, *media executive Nancy Woodhull wants to build "bridges" between women and the corporate world.*

Woodhull says the research on women that's currently available to business generally has at least two problems: It's not in-depth, and it usually represents a point of view, such as that of an advertiser or an interest group.

"What I'm trying to do is get at the facts and do a real examination of women regionally, ethnically, socioeconomically, and so on," says Woodhull, who expects to open offices in Birmingham, New York, and Washington, D.C.

As an entrepreneur, Woodhull says, she is turning her avocation—helping women in the business world—into her vocation. She is president of the National Women's Hall of Fame and a founding co-chair, with Betty Friedan, of Women, Men and Media, a national group that monitors how women are covered in the media.

Her decision to start her own company was partly influenced by the Anita Hill-Clarence Thomas controversy. She saw the event as divisive and felt the time was right to launch an enterprise that would counter misunderstanding and confusion in the workplace and bring people closer together.

"I don't think that the Hill-Thomas thing was about sexual harassment," she adds. "I thought it was about control." Women reacted strongly to Hill's charges, she says, because they still feel other people have power over them in the workplace. Workers need to feel that they have control over their own destiny, Woodhull says. As the work force becomes more diverse, she adds, "corporations are going to have to have more comfort with relinquishing a little bit of control so that people do feel as if they have more power over themselves, and they need to assist men and women in working shoulder to shoulder together."

Does Woodhull's new venture signal a personal dissatisfaction with corporate life and her place in it?

"It puts me totally in charge," she answers, "and I'm excited about that."

MONEY

Financial Savvy Still Lacking

Women know more about financial matters today than they knew five years ago, but they still don't know enough to conduct their personal and business lives effectively, according to a survey conducted by the Harris Trust and Savings Bank in Chicago.

The survey was sent to 620 individuals, mostly women, who have attended the bank's Financial Forum classes since 1985. Seventy-one responded (69 women and two men).

The forum was created by a group of Chicago women and Harris officers who found that women in particular needed to gain confidence in handling their professional, family, or business finances. The forum has offered classes on financial markets, investments, economics, and personal financial planning.

The classes "empowered women to proceed more securely in handling investments, family businesses, and financial planning," according to Christine Galloway, a Harris vice president. Nonetheless, she says, there is "still a long way to go."

Most women, Galloway says, face up to financial education and planning only at times of crisis, such as divorce or a husband's death.

For the woman who wants to improve her financial acuity, Barron's offers a new book, *Women and Money: A Guide for the '90s,* by Anita Jones-Lee ($10.95, paper). A corporate-finance attorney, Jones-Lee covers such topics as changing your relationship with money, creating an investment plan, understanding risk, and the basic four investment choices—cash, real estate, securities, and insurance.

RESOURCES

For Your Reading List

Recent publications of special interest to women in business include:

Women in Corporate Management: Model Programs for Development and Mobility, a report on programs designed to enhance women's upward mobility in 17 major corporations. It covers such issues as mentoring, holding managers accountable for women's advancement, and balancing work and family. Published by Catalyst, a New York research and communications organization, it is $55 ($45 for Catalyst contributors) and can be ordered by calling Scott Stein at (212) 777-8900.

Hers: The Wise Woman's Guide To Starting a Business on $2,000 or Less, by Carol Milano (Allworth Press, $12.95, paper). Milano, who owns a marketing communications and consulting firm for small businesses, offers sprightly and useful advice on everything from choosing your business to marketing it.

AWARDS

Program Honors Entrepreneurs

Jan. 31 is the deadline for applications for the annual Women of Enterprise awards sponsored by the U.S. Small Business Administration and Avon Products, Inc.

Candidates for the awards must have been profitably self-employed for at least five years and must have overcome a significant personal or economic hardship to achieve their success in business.

Five award winners will receive $1,000 plus a three-day expense-paid trip to New York in June.

To obtain an application, send a stamped (98 cents) self-addressed 9x12 envelope to Women of Enterprise Awards, Avon Products, Inc., 9 West 57th St., New York, N.Y. 10019.

SELLING

Saleswomen Wanted

The National Association for Professional Saleswomen is looking for women in sales to start new chapters in their own communities.

The 12-year-old organization has 30 chapters and more than 1,600 members nationwide, representing sales in fields as diverse as insurance, travel, chemotherapy services, and barge space. NAPS sponsors educational programs, provides a forum for exchange of information on professional sales techniques, and assists women interested in sales careers.

For information on starting or joining a chapter—or to obtain a free brochure, *32 Ways To Get a Sales Job in Your Community*—contact NAPS at 5520 Cherokee Ave., Suite 200, Alexandria, Va. 22312; (703) 256-9226.

PHILANTHROPY

Art Project Cites Women's Concerns

Eight artists have been commissioned by Liz Claiborne, Inc., to participate in three pilot projects in "Women's Work," the fashion company's recently announced national program of community-based public art projects. The program is aimed at increasing awareness of, and encouraging positive social change on, issues of particular concern to women. The first three projects are:

Children's *author Leah Komaiko.*

■ Chicago. Children's-book author Leah Komaiko will collaborate with a group of urban, multiethnic elementary-school students to write and illustrate a children's book on working mothers and their impact on their families. The book is to be distributed nationally through the Reading Is Fundamental program and through schools and libraries.

■ San Francisco. Six visual artists and photographers will collaborate with women and children who have been victims of domestic violence to create billboards, transit-stop posters, and bus signs to focus attention on such abuse. The artists are Barbara Kruger, Susan Meiselas, Diane Tani, Carrie Mae Weems, Margaret Crane, and Jon Winet.

■ Atlanta. Meg Webster, a landscape artist and sculptor, will work with local residents and architect Philip Parker to transform an unused inner-city site into an intensely planted, environmentally diverse public garden. It is to serve as a model for urban land reclamation.

For further information, contact Women's Work, c/o Patrice Tanaka & Co., Inc., 141 Fifth Ave., New York, N.Y. 10010; (212) 505-9332. NB

Circle No. 10 on Reader Service Card

Putting A Price Tag On Your Company

Your firm's value can depend on why you need to know its worth. Here are points that appraisers consider.

By Richard K. Berkowitz and Joseph A. Blanco

What is my business worth?

This is a question that owners of closely held businesses may raise for any of several reasons, such as when their firms are assessed for taxes or when they are thinking of buying insurance, going public, dividing ownership among family members, drafting a will, or selling the firm.

Owners typically assume there is a single, all-purpose total value and are surprised when they find that there can be several values. The value of your business or any asset can vary according to your reason for wanting to know its value.

If you want to know the value of your state-of-the-art manufacturing plant, for example, you must ask what it is worth:

- To the highly successful business for which it was built.
- In the event the business declines.
- For property-tax purposes, compared with nearby commercial property.
- To a developer who has an alternative use for the property.
- In terms of replacement cost.

These are some of the various reasons for determining the value of an asset, and each reason could lead to a different yet correct valuation. The differences result from application of the two basic concepts of appraisals—fair market value and premise of value.

Fair market value is the amount that a willing buyer would pay a willing seller, with each having a reasonable grasp of all the factors involved.

Premise of value is the reason for which a valuation is being made.

An experienced appraiser would know what questions to ask and how to value your business from several viewpoints, but you and others in your business must help that appraiser understand the business's operations and its strengths and weaknesses.

For example, under the "continued use" premise, an appraiser assumes that an asset will continue to be used for its designed purpose. If you plan otherwise, the appraiser must be informed.

Typically, critics of the appraisal process have had an experience in which two appraisers arrived at significantly different values for the same asset. This occurs usually because a different premise was applied in each appraisal. If both appraisals had been made under the same premise, the resulting values probably would have been closer.

Following are the purposes most often cited by business owners who want to determine what their companies are worth:

ILLUSTRATIONS: DEBORAH J. HUMPHRIES

Valuation For Tax Purposes

Businesses are appraised mostly for reasons that are centered on taxes.

Gift, Estate, and Inheritance Taxes. The stock you hold in your closely held business may be your most valuable asset, one that you intend to pass on to your heirs. At that point, taxes will be levied on the fair market value of the stock. If you turn over the stock as a gift, you need to know the value subject to gift taxes. If you leave the stock to your heirs or estate, inheritance or estate taxes may apply. Thus, valuation of your stock is crucial.

The Internal Revenue Service has set general guidelines for appraising stock for gift-tax and estate-tax purposes. Even so, valuing the stock of a closely held business can require certain judgments. Appraisers consider these factors:

- The nature of the enterprise.
- The condition of the related industry.
- The state of the economy.
- Earnings and dividend-paying capacity.
- Intangible value.
- Market price of stocks of comparable companies.
- Prior sales of the business equity.

Property Taxes. Property taxes are usually levied as a percentage of property value, so an accurate assessment of your business properties is essential to ensure that you do not pay more than your fair share.

If you suspect your business property has been overassessed, there are other steps you should take before opting for an appraisal. The most effective approach is to have a property-tax monitoring program as part of your routine business operations. Then, if it appears the property has been overassessed, you will be in a better position to negotiate an adjustment with the assessor without a costly, detailed appraisal. Smaller firms might need outside assistance to maintain such a project, however.

A detailed appraisal should be undertaken only when there could be significant tax savings and when other avenues of relief have been exhausted. It should be done by an appraiser who can provide expert testimony in a formal appeals process.

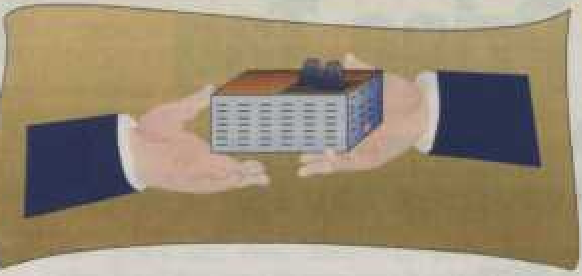
Valuation For Ownership Transfer

In a transfer of ownership, the value of the business can be affected by many things, such as owner/manager compen-

Richard K. Berkowitz, in Miami, and Joseph A. Blanco, in Chicago, are partners in the Appraisal and Valuation Services Group of Arthur Andersen & Co.

sation and fringe benefits, and related-party transactions.

Appraisals involving stock in an owner-managed business sometimes pose special problems because the market for that stock can change. Another potential difficulty is the influence of a "key executive"—one whose presence and performance are so critical that the business would suffer from that individual's departure.



Determination of a firm's value is likely to be needed for buy-sell agreements, partnership or stock "freezes," and acquisition and divestiture planning.

Buy-Sell Agreements. Appraisals can be useful in establishing a buy-sell agreement involving yourself and the other owners of the business. Such an agreement can minimize problems when you or another owner wants to sell out or when an owner's heirs want to—or must—cash in their equity interest to settle the estate.

But be cautious in using an appraiser's valuation based on comparisons with publicly traded companies. There are obviously great differences between publicly owned and closely held businesses. Such differences are possible in dividend policies, executive compensation, accounting methods, and whether assets are owned or leased (that is, who owns rights to residual values). Even comparisons between your business and another closely held company should be made with caution.

Partnership or Stock Freezes. An asset-value freeze protects the family business from large estate taxes on the appreciated value of family stock holdings. Simply stated, the right to vote, dividend income, current value, and future appreciation are separated and valued. The rights can be distributed among family members—without making gifts—to accomplish separate estate-planning and business-planning objectives.

For example, the owner may make a gift of stock with future appreciation rights and receive stock with a future preferred right to dividends. Similarly, the children can receive the stock's future appreciation as well as its income (to the extent desired).

Note that not all four of the above property rights need to be represented by a separate corresponding class of stock.

The appraisal issues for purposes of stock partnership freezes are twofold:

- Establishing a value for the total equity.
- Partitioning, or segmenting, that value into new forms of capital.

The attributes of each specific form must then be considered by the appraiser. For example, a preferred stock's yield and dividend coverage can greatly influence its value. Other important issues to be considered in the appraisal are voting rights, voting control, whether the dividends are cumulative, any covenants that inhibit marketability, and the power to enforce dividend or liquidation rights.

Acquisition and Divestiture Planning. Appraisers can play an important role in your acquisition and divestiture plans; they can estimate a value or range of values for such transactions from a "prudent investor" viewpoint. In such a role, the appraiser acts as a consultant, identifying valuation parameters and certain tax-related issues.

These issues include the potential for the buyer to write up the asset values and obtain future tax benefits through capital recovery potential. An example of this might be the acquisition of a fully depreciated building to which fair market value can be assigned after the sale.

The appraiser also can perform a sensitivity analysis. By projecting different growth scenarios and economic environments for the future, a range of values can be calculated.

Valuation For Purchase-Price Allocation And Capital-Cost Recovery

If you have recently completed an acquisition or are thinking of acquiring another business, an appraisal may be necessary to allocate the purchase price among the assets acquired. This allocation has considerable tax implications. There are two types of taxable acquisitions:

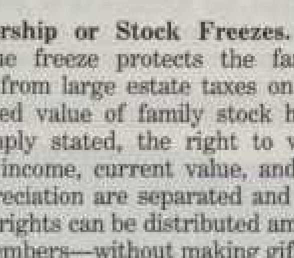
- Cash-for-assets.
- Cash-for-stock, in which the buyer elects to treat the acquisition as an asset purchase for tax purposes. The IRS calls this a "deemed acquisition" of assets.

The appraisal process for both taxable transactions is basically the same. The appraiser must conduct a supportable valuation of the underlying tangible and intangible assets as a basis for adjusting the assets' historic costs up or down to the actual purchase price. You can expect the IRS to review closely the final appraisal because its results can significantly affect

Get TV reception you never had before, with the...

Antenna Multiplier™
only $29.95*

**But read this ad for an even better deal!*



• *The Antenna Multiplier significantly boosts UHF, VHF Television and AM, FM, & Shortwave radio reception. 3¾"L x 3¾"W x ½"D.*

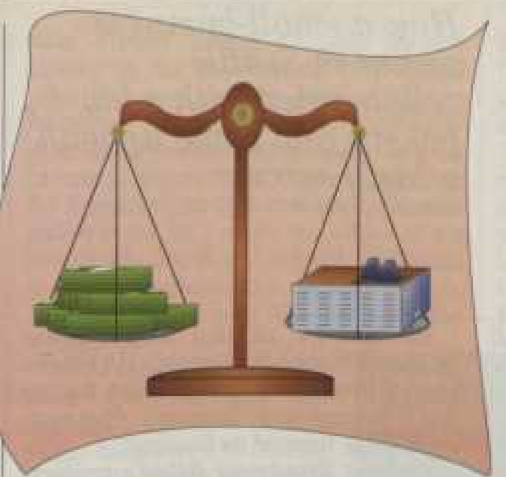
You may not need it if you are connected to a cable system, but if not you can now get TV reception that you could never enjoy before. Inside its plastic housing, the *Antenna Multiplier™* hides a small technical gem—an array of electronic components that enhances the reception power of your TV. The *Antenna Multiplier™* stabilizes your TV picture, eliminates "ghosts" and static, and brings in stations that were only visible as flickers and annoying shadows. In most areas you will be able to eliminate an outdoor antenna completely (limited by atmospheric or geographic constraints). The *Multiplier™* needs no outside power—it gets its "juice" right through your TV set. You place the *Multiplier™* on the television set itself, lay it on a nearby table, or hang it on the wall and you can say goodbye to the clutter of rabbit ears, loop, rod, or dish antennas. *Antenna Multiplier™* enhances your TV reception and your entertainment alternatives, since it also vastly improves AM/FM radio reception and brings in new stations on multiband and shortwave receivers.

We are the exclusive importers of the *Antenna Multiplier™* in the United States and can therefore bring you this outstanding TV accessory for just $29.95. But we have an even better deal: *Buy two for $59.90, and we'll send you a third one, with our compliments—absolutely FREE!* Unleash the full power of your television with *Antenna Multiplier™*. Order it today!

FOR FASTEST SERVICE, ORDER
TOLL FREE (800) 882-3050
24 hours a day, 7 days a week
Please give order #1429B148. If you prefer, mail check or card authorization and expiration. We need daytime phone number for all orders and issuing bank for charge orders. Add shipping/insurance: $3.50 for one, $10.50 for three. Add sales tax for CA delivery. You have 30 day return and one year warranty.

Looking for a bargain? Come in and visit our Catalog Outlet in San Francisco.

since 1967
haverhills®
of San Francisco
139 Townsend Street, San Francisco, CA 94107



federal income taxes. For example, an appraisal often results in a write-up of the underlying assets, as noted earlier.

To the extent the purchase premium is attributed to tangible and intangible assets that are amortizable, the additional amortization shelters future income by reducing taxes. Thus, given the significant potential savings, the IRS may try to find flaws in the appraisal's valuation and establish large values for such nonamortizable intangibles as good will and going-concern value.

There are numerous revenue procedures, revenue rulings, and court cases dealing with the valuation issues of purchase-price allocations and capital-cost recovery, and your appraiser should be aware of them.

In addition, the appraiser should fully document his or her conclusions to help assure that the valuation of your business would hold up before an IRS audit.

To determine the value of both tangible and intangible assets, the appraiser follows three basic approaches: cost, market, and income. One key difference in the appraisal process for the two types of assets, however, is the determination of useful life.

Current tax laws establish depreciation lives for tangible assets such as buildings and equipment. Nevertheless, the appraiser must look to the facts and circumstances of the acquired and acquiring companies to estimate and support amortization periods for the intangible assets—contractual and noncontractual. Assets such as trade names, good will, and going-concern value, however, are not amortizable.

For contractual intangible assets such as patents, favorable contracts, or favorable leases, the legal or contractual life gives the appraiser some guidelines. The shorter of the legal or economic life will generally be used in the appraisal, however. For example, a newly issued utility patent has a 17-year life, but if the invention it protects will be economically viable for only five years, the shorter life is used.

Noncontractual intangible assets—such as customer lists, advertiser and subscriber lists, proprietary product or process technology, and distribution systems—have economic lives that can be reasonably estimated, using actuarial techniques. The value of such assets does not last indefinitely; that is, they are "wasting" assets.

In determining the life characteristics of a specific asset, the appraiser statistically analyzes historical turnover data. The life attributes of the asset base can then be used to estimate reasonably the remaining life.

Other Valuation Issues

In addition to having assets appraised for reasons such as taxes and ownership transfers, you may need an appraisal for financing or insurance purposes:

Asset-Based Financing. If you want to use your firm's assets as collateral for a business loan, the lender may require that the assets be appraised. In this situation, the appraiser would probably use the liquidation premise for valuing your assets because the lender would want to know the downside risk should you default on the loan.

If the appraiser uses a going-concern premise, the resulting value could be considerably higher.

Insurable-Value Studies. Appraisers will make insurable-value studies to establish or verify that your insurance adequately covers your assets.

Because many property-insurance policies are set up to cover replacement costs, the appraiser must estimate the current costs to replace your real and personal property. The appraiser deducts noncovered items, such as foundations and underground utilities, from the total to arrive at a value.

Whether your insurance coverage is based on actual cash value or replacement costs should be taken into account in any appraisal, because it determines which premise of value should be used. Typically, insurable values can be updated using cost indices to account for inflation. To make sure their appraised values keep up with inflation, you should have your business assets inventoried every few years.

This analysis of the various premises for an appraisal shows how the basic question of what a business is worth can be as complex or as simple as the reasons for asking the question. And no appraisal should be made without a predetermination of those reasons and without applying them throughout the appraisal process. NB

To order reprints of this article, see Page 69.

Circle No. 56 on Reader Service Card

LESSONS OF LEADERSHIP

Paul Suzman's $2 Million Hobby

How a small-business owner in Seattle collaborated with a big bakery and came up with a tasty success.

By Michael Barrier

Paul Suzman first visited the United States on Labor Day 1971, soon after his 20th birthday. Suzman, a South African, stayed with relatives who lived on Long Island.

Suzman had never seen television in South Africa, and the TV he had seen in Britain, he recalls, "would click off at 11 o'clock with the playing of 'God Save the Queen,' and it didn't start up until the middle of the morning." American TV was, to say the least, different. Suzman remembers that he "remained riveted to the TV right through the night, clicking my way through the various channels, just fascinated with the ongoing showmanship."

He saw a commercial for a roll-up garden hose: "What impressed me was the concept of an 800 number. It was a holiday, and where I came from, things shut down on holidays. But here were people on the phone, standing by 24 hours a day, to take orders for a lousy garden hose. That was something that stuck in my mind, this incredible 24-hour energy."

Suzman has lots of energy of his own; a trim, vigorous man, he belongs to a group that meets each morning at 5:15 and bicycles for 20 miles—not in South Africa, but in Seattle, where he has lived for the past dozen years.

In 1978 Suzman spent a week each in Portland, Ore., and Seattle. That visit convinced him that he wanted to live in the Northwest, and in 1979 he immigrated. He had been a mushroom farmer in South Africa, and he helped to get a mushroom farm established north of Seattle before he switched to selling real estate in 1980. Today, at 40, he contributes to America's business energy through two companies of his own—one of which is the fruit of a remarkable collaboration between Suzman, a small-business owner, and a big business.

That company begun by collaboration is called Broadmoor Baker, and Suzman runs it from offices in downtown Seattle. You won't smell bread baking when you walk through the door—and, in fact, you won't see Broadmoor Baker's name on the door. From all appearances, Suzman's offices house only a single firm, Business Space Resources.

Suzman started Business Space Resources in 1981. It was one of the first firms that helped corporations analyze their real-estate needs, then negotiated for them in leasing or purchasing office space. As Suzman says, his work involves—to take one example—"looking at the most appropriate strategy for negotiating a lease with equity participation in a 50,000-square-foot building in an office park for a biotechnology company."

It thus requires a considerable shifting of mental gears for him to start thinking about bread; but as the principal owner of Broadmoor Baker, he does it every day.

PHOTO: T. MICHAEL KEZA

Paul Suzman, *the "breadloving baker of Broadmoor," turned a hobby into a line of baked goods—and a second business.*

But not for all that long. Suzman estimates that he devotes only 1½ hours a day to Broadmoor Baker, which has no full-time employees; Suzman's office manager keeps track of its finances.

And yet Broadmoor Baker's products can be found all over western Washington state and in parts of Oregon, and they are shipped frozen to Alaska and Sun Valley, Idaho. Broadmoor Baker generates about $2 million in revenues each year—and it's only a sideline, an exalted hobby. Business Space Resources is still, Suzman says (without a hint of a pun), "my bread and butter, in terms of the direct returns to me."

Broadmoor Baker offers a small line of highly sophisticated baked goods. One whole-grain loaf, called Hearty Grain & Seed, includes sesame seeds, sunflower seeds, rolled oats, cracked wheat, poppy seeds, and pumpkin seeds. The bread has an extraordinarily rich flavor, but without any heaviness.

You expect to find such bread only homemade, on the tables of dedicated cooks. In fact, Suzman created the recipe for Hearty Grain & Seed in his own kitchen, after months of experimenting. The bread was so enthusiastically received by friends, neighbors, and employees that by 1986 he was considering the commercial possibilities.

For the average weekend baker, the next step would have been obvious: increase production, perhaps by buying a larger oven and enlisting the help of a spouse or friend, and sell the bread through little gourmet shops. In other words, put in a lot of work for not a lot of money. That was hardly a path that Suzman was likely to take. He was, after all, a man who had already sprung to the challenge of building a successful business rapidly in a city where no one knew him. "There's something very exciting," he says, "in starting off in a new town, from scratch, with a clean slate."

Suzman belonged to a Rotary Club in downtown Seattle. Another of its members was Larry McDonald, president of Gai's Se-

attle French Baking Co., the largest bakery in the Northwest, with annual sales that now top $140 million. Suzman had never met McDonald, but their common Rotary membership gave him an excuse to suggest that they get together for breakfast. At that breakfast, Suzman pulled from his pocket two slices of his homemade bread and invited McDonald to try it. He was a little doubtful at first, McDonald says, but "the bread tasted very good."

Here again, Suzman departed from the norm. The average weekend baker might have hoped to sell the recipe to McDonald, but Suzman had something else in mind: He wanted to set up a sort of partnership. "When I approached him," Suzman says, "it was primarily with a very good product. But I also approached him with a team. I knew I couldn't do it alone."

Among Suzman's clients at Business Space Resources were a design firm and an advertising agency. Before Suzman met with McDonald, the principals of those firms had agreed to work with him, by designing packages and creating a marketing plan, in exchange for a share of the new enterprise. With his clients behind him, Suzman could say to McDonald, "We have some resources; if you're interested, give us a chance to show the concept and the packaging."

That was the critical element, McDonald recalls: "He was willing to contribute something besides an idea."

There remained the question of whether Suzman's recipe could be duplicated by the Gai's bakers in large quantities. "We worked for months on taking my formulation and making it work on a commercial scale," Suzman says. By the fall of 1987, they had succeeded.

When Hearty Grain & Seed was ready to go to market, Suzman and his clients had come up with a package design that proclaimed the bread's uniqueness—it was sold not just in a bag, but in a cardboard tray, with its high-priced ingredients listed in large type. They had also devised a "guerrilla marketing approach," as Suzman calls it, that relied not on advertising but on tweaking public curiosity about the bread's novel origins.

The name itself—Broadmoor Baker—came easily enough, since Suzman and his family live in the upscale Broadmoor neighborhood. Blurbs on the packages (using a bit of what Suzman calls "poetic license") told the story of the "breadloving baker of Broadmoor." Suzman is, as he says, "something of an extrovert," and he threw himself into promoting the bread. "We tended to play off the fact that it was a hobby for me," Suzman says. "Everybody loves bread, and everybody's got bread recipes. It caught people's imagination."

The marketing thus emphasized Broadmoor Baker's very-small-business side, even while Gai's used its big-business prowess to put Suzman's bread onto the shelves of major grocery chains. With both Suzman and his bread highly visible, Broadmoor Baker swiftly established itself as a high-end niche brand.

For the past four years, Suzman has refreshed interest in his brand by introducing new products roughly once a year. Two of his breads—a white whole-wheat bread and what Suzman calls a "European-tasting" loaf—failed, but he has successfully broadened the line to include an oat-bran bread, rolls, English muffins, and, most recently, "a heavy, old-fashioned white bread." Suzman still starts the ball rolling for each new product, but now, he says, instead of handing over a completed recipe, he works more in tandem with Gai's bakers.

Technically, Gai's is licensed by Broadmoor Baker to make its products, and Gai's pays royalties of 5 to 15 percent of its revenues from those products, the percentage depending on the product. So most of the money stays with Gai's; but most of the expenses do, too. What winds up in the hands of Suzman and his co-owners is mostly profit.

Broadmoor Baker did not require a heavy capital investment on Suzman's part: He spent perhaps $10,000 to get the company off the ground, much of it in legal fees.

Building on their Broadmoor Baker success, Suzman and Gai's have embarked on a joint venture, a line of Italian breads bearing the label "Panni di Paolo" ("Paul's Breads"). This is a different sort of collaboration than before—Gai's started as a neighborhood Italian bakery in the '20s, and Suzman has not so much come up with new recipes as helped Gai's bakers refine traditional ones, in addition to being involved heavily in packaging and marketing. So cordial is the relationship between Gai's and Suzman that Suzman doesn't even know how he will be compensated. "Once we know that it works," he says of the new line, which went on sale in October, "we'll sit down and decide what is appropriate."

McDonald says that Broadmoor Baker's breads have built up a brand loyalty that bodes well for their long-term survival. But, as Suzman says, "high-end, name-brand breads have taken a hammering" in the recession. His breads—which range in price from $1.79 to $2.49 a loaf, depending on the type of bread and the store—have not been immune. Suzman has made up the difference with the Bagelbar, a dense, chewy little loaf studded with apples, raisins, dates, and sunflower seeds. In less than a year, it has become, Suzman says, "our most successful product." He gives away Bagelbars in quantity at athletic events, polishing the bars' healthful image.

Suzman is thus showing nimbleness in surmounting obstacles of the kind that trip up many an entrepreneur. And yet, Broadmoor Baker is still a very small operation—and likely to remain one, unless Suzman can find some way to extend its reach to other parts of the country.

"The limitation on distribution is baking," Suzman says. "We did, a couple of years ago, set up an arrangement with a milling operation in Iowa to take the brand to other cities in the country. The problem lay in the products: They are extremely difficult products to bake. They do not lend themselves to production in an automated bakery. You've got to be dealing with people who are real bakers."

Gai's passes that test easily, he says, but he hasn't been able to find another bakery as good. There's another problem, Larry McDonald says, in that for many bakeries smaller than Gai's, Broadmoor Baker products probably wouldn't generate enough volume to justify making them part of the line.

At Gai's, Suzman can drop by and test the bread (as he says he does at least four times a week, and sometimes twice a day); and that kind of personal supervision would not be possible if Broadmoor Baker became a national brand.

Suzman may yet find some way to extend Broadmoor Baker's reach, but he feels under no compulsion to do so except on his own terms. "I have the fun of being a baker," he says, and he plainly doesn't want to jeopardize that fun.

After all, it *is* just a hobby. ■

FINANCE

Helping Small Firms Borrow Money

The SBA's guaranteed-loan program works for growing firms as well as start-ups. Use these tips to make it work for you.

By J. Tol Broome Jr.

Most start-up companies have two things in common: few assets and a high risk of failure. That's why banks will rarely consider extending a conventional commercial loan to a start-up business.

Even companies that have moved from start-up to growth can face difficulty in obtaining such loans. These firms often seek long-term loans against their assets' current value, which might drop over the payback period.

An alternative lending source for both start-up and growth companies unable to obtain conventional loans is the guaranteed-loan program of the Small Business Administration. About 25 percent of SBA-guaranteed loans last year went to new ventures, and most of the balance went to high-growth firms for working capital.

Since its inception in 1953, the Small Business Administration has guaranteed more than 400,000 loans totaling more than $45 billion.

In contrast to the agency's diminishing direct-loan operations, the guaranty system—known as the 7(A) program—is operated in partnership with private-sector lenders. Although the private lender provides the money, the agency guarantees repayment of up to 90 percent if the borrower defaults.

Because the SBA assumes most of the credit risk, lenders who utilize the guaranty program are typically more willing to look at riskier deals than they would be ordinarily.

Flexibility is another advantage of the guaranty program. SBA's guaranteed loans can be extended to finance real estate, machinery and equipment, furniture and fixtures, and working capital, and they even can be used to restructure existing debt.

J. Tol Broome Jr. is the chief commercial loan officer of Bankers Trust of North Carolina, in Greensboro; the bank is a major SBA lender in that state.

Moreover, the repayment schedules are generally more liberal than those for conventional commercial loans.

For example, the typical repayment terms of conventional loans for real estate are 10 to 15 years, but the SBA allows up to 25 years under its 7(A) program. The SBA's repayment terms are also more favorable for machinery and equipment (10 years compared with five to seven years) and working capital (seven years compared with two to five years). The longer terms mean lower payments, which are generally more attractive for young or growing businesses.

But before entrepreneurs or would-be entrepreneurs begin to worry about repayment schedules, they must first address some more fundamental matters. The first is whether the business is in fact small.

PHOTO: WALTER CALLAHAN—FOLIO, INC.

A retail business *seeking an SBA-guaranteed loan can have no more than $3.5 million in annual sales to be eligible to apply.*

Eligibility varies according to the type of business or industry, but most guaranteed loans go to firms with fewer than 500 employees and less than $3.5 million in annual sales. A wholesaler is limited to 100 employees, and a retail or service firm may not exceed $3.5 million in annual sales. According to the SBA, 98 percent of all U.S. companies meet its 7(A) program standards.

The second factor that a potential applicant must consider is the cost of an SBA-guaranteed loan. The agency charges a 2 percent guaranty fee for all 7(A) term loans—a fee that is nearly always paid by the borrower (either upfront or financed) in addition to the interest paid to the lender.

While many banks charge origination fees of 0.5 to 1 percent on commercial real-estate loans, there are generally no fees charged on those for equipment or working capital.

About 67 percent of SBA-guaranteed loans are for machinery and equipment or working capital. The median loan is $175,000, and the average guaranty amount is about $150,000. Consequently, the typical SBA borrower pays a fee of $3,000 that probably would not be paid to obtain a conventional commercial loan for the same purpose.

The interest rates charged for 7(A) loans also contribute to higher costs. The SBA imposes maximum rates (prime plus 2¾ percent for seven or more years; prime plus 2¼ percent for under seven years), but banks typically charge premium rates—within SBA limits—on 7(A) loans, primarily because of the higher risk associated with such loans.

Although the SBA assumes most of the risk, the portion retained by the lender is a factor in setting interest rates. The SBA/lender ratio is 90/10 up to $155,000; 85/15 from $155,001 to $350,000; and 80/20 above $350,000.

And although the rate is negotiable between the bank and the borrower, many lenders are unwilling to forgo the risk factor in setting the interest rate.

The average interest rate charged on an SBA-guaranteed loan is roughly equal to prime plus 2 percentage points, compared with prime plus 1 percentage point on conventional loans. For the borrower, willingness to pay the extra interest is often the key to obtaining the loan.

The third factor to consider is the time involved in seeking SBA approval for a guaranteed loan. Once it receives a com-

pleted loan application, the SBA generally responds in three to 10 business days, which is comparable to the turnaround time for a conventional commercial loan.

However, preliminary meetings, preparation of financial statements and projections, and filling out the loan application can add weeks or even months to this process. And although the paperwork is not as excessive as some believe (the documentation roughly equals that for a home mortgage), there is still more documentation required for a 7(A) loan than for a conventional commercial loan.

Approval by a lender also does not ensure that the SBA will underwrite a request. Only about 60 percent of the proposals for an SBA guaranty are approved as submitted.

The main reasons for rejection are inadequate investment by the applicant and lack of lender confidence that cash flow will be sufficient to cover repayment.

There are, however, ways that you can increase the prospects that your application will be approved. Here are the 10 most important aspects of preparing to seek an SBA-guaranteed loan:

1. The Business Plan. Although a 100-page forecast of your expected success is not necessary, the SBA does require a narrative business plan. It should cover the type of business, where and how you would operate, products to be sold, geographic market, target customers, competition, anticipated market share, number of employees needed, and your management team. The key is to demonstrate that you have thought through the potential hurdles in starting or expanding your business.

2. Contacts In The Community. Use of outside resources can be a critical factor in applying for an SBA loan. Free counseling services for existing and prospective small-business owners are available in many communities through organizations such as SCORE (Service Corps Of Retired Executives), Small Business Institutes, Small Business Development Centers, and colleges, including community colleges, that have entrepreneurial and other small-business assistance programs. These sources often possess an excellent working knowledge of the SBA's guaranteed-loan program.

Accountants and attorneys also can provide input in seeking 7(A) financing.

3. Choice Of Lender. This step is one of the most important. About 50 percent of the 14,000 banks in the U.S. use the SBA's guaranteed-loan program. If your bank is not a participant, try to find a banker who maintains a good rapport with the SBA. Then your deal will be considered in a more timely manner. An experienced SBA lender knows what is needed on the front end and can minimize much of the paperwork. In fact, the SBA promises a 10-day turnaround for 7(A) requests once all the correct documentation is forwarded. There are even two special programs for certain lenders with established SBA track records.

More than 600 banks in the U.S. have been granted Certified Lender status, which guarantees a three-day turnaround from the SBA. Of those, 161 banks enjoy Preferred Lender status. This allows them to approve SBA-guaranteed loans in-house. Your state or local SBA office can provide a list of certified and preferred lenders in your area.

PHOTO: IRENE SHERET—FOLIO, INC.

Young firms *find SBA-backed loans' lower payments attractive.*

4. Components Of The Loan Request. The SBA program can meet most financing needs of a small business. There is no minimum loan requirement, but there is a maximum guaranty amount of $750,000 (with a 75 percent guaranty, the loan could be as much as $1 million). In outlining your loan request, be specific. Provide an exact dollar amount for your request, and explain how the loan will benefit your company, as well as exactly how you plan to use the funds.

5. Credibility Of Management. This is a key factor considered by the bank and the SBA in underwriting a loan request. Your technical expertise in the industry as well as your general management background will be scrutinized closely. Present this information in a resume.

6. Capital For Your Business. One popular misconception of the SBA is that the agency will allow 100 percent financing of a start-up.

For a new venture, the SBA requires that the borrower's equity equal at least 30 percent of the total amount needed to start the business.

Most of this equity usually has to be cash, although personally owned vehicles, furniture, and equipment transferred to the company sometimes are allowed to count toward the equity injection.

For existing companies, the SBA generally looks for a projected debt-to-worth ratio of no more than 3-to-1 *subsequent* to the making of the loan. Supply information on the sources of any new capital, whether from you or another investor.

7. Cash Flow. Cash-flow projections will be analyzed very closely because income will provide the source of repayment for the proposed loan.

For an existing business, prepare three years of realistic projections, using your past performance to substantiate your assumptions. For a start-up, the projected cash-flow levels must be based on logical and conservative assumptions that take into account such factors as industry comparisons, market-share estimates, and reasonable operating costs.

And don't forget to factor in the effects of the proposed loan on cash flow.

8. Shareholders' Statements. All stockholders with 20 percent or more ownership in your company must personally guarantee the entire loan. Each individual must submit a financial statement no older than 90 days.

9. Collateral. Although the SBA is not a "collateral lender," security is still a major component of the agency's underwriting procedures. List assets you propose to offer for collateral (including assets to be purchased with loan proceeds). Include a description of the assets, their remaining useful life, their value, and your source of valuation.

10. Organizing The Presentation. According to one SBA representative, the most common complaint heard from lenders using the 7(A) program is the lack of preparation by many potential SBA borrowers. Be thorough in reviewing the information that you have prepared in steps 1 through 9 to ensure that it is orderly, accurate, and not contradictory.

A final word: The SBA is not a pushover in considering proposals for guaranteed loans. Adequate preparation based on the preceding steps will enable you to approach the agency with a sound, professional proposal that will enhance your prospects for success. NB

To order reprints of this article, see Page 69.

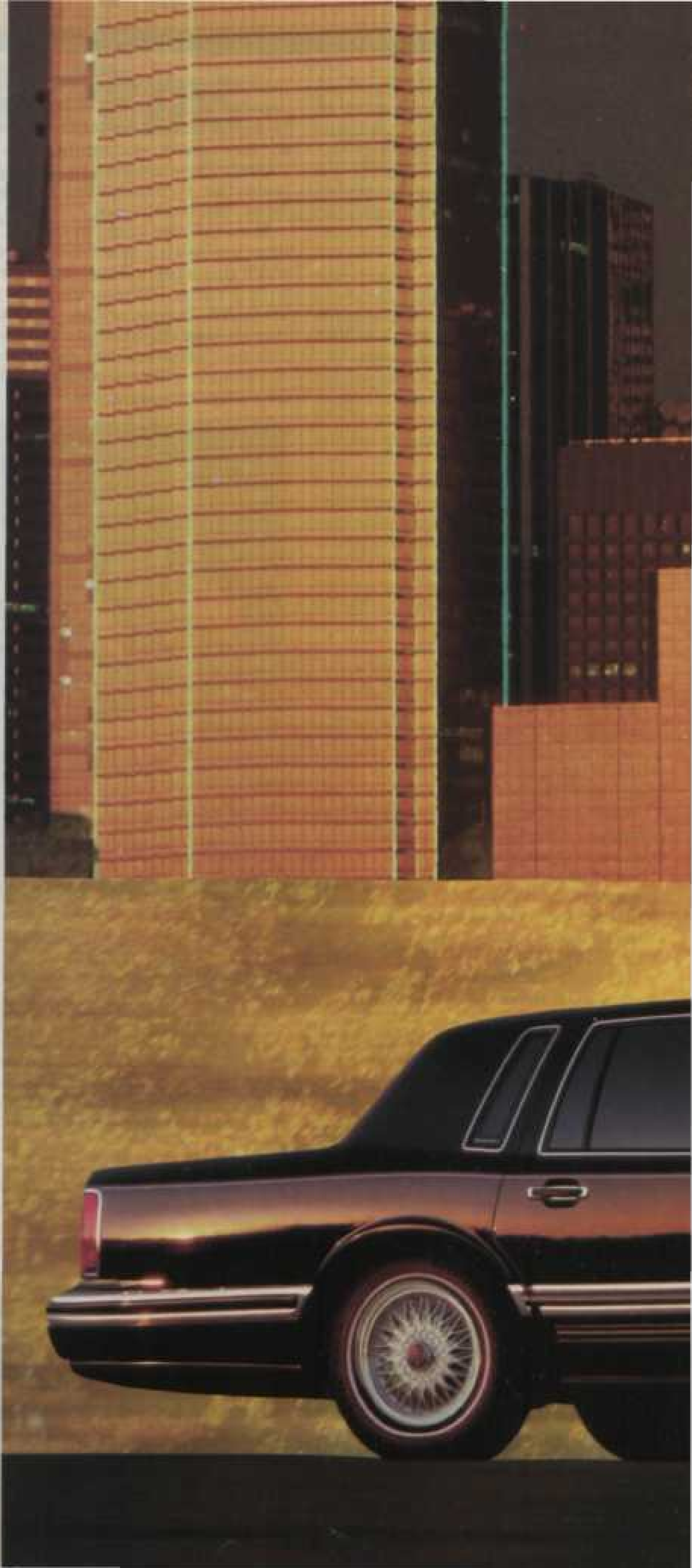
DID AN ACCIDENT OF NATURE MAKE IT THE QUIETEST CAR YOU CAN OWN?

Among the most purely enjoyable of all the comforts Lincoln owners enjoy is the sense of hushed calm that envelopes the passenger cabin of Lincoln Town Car. The quietest automobile you can own. Yet the satisfaction of Town Car occupants may well be exceeded by the satisfaction Lincoln engineers take in having achieved this premier rank. Because it was only through years of painstaking research in body/chassis isolation techniques, noise control, drivetrain design and multiple other technologies that this feat was accomplished. And unlike research in handling and performance, there were few models to follow. Genuine breakthroughs were required. Breakthroughs that include an advanced overhead-cam V-8 engine which operates with uncanny silence and smoothness. And helps place today's Lincoln Town Car among the most fuel efficient ever built.* Yet another Lincoln engineering achievement that was no mere accident of nature.

LINCOLN
WHAT A LUXURY CAR SHOULD BE.

For more information on the 1992 Lincolns, call 1-800-446-8888

Circle No. 34 on Reader Service Card




*EPA estimates. For comparison: 17 city, 23 highway.
LINCOLN-MERCURY DIVISION Buckle up—together we can save lives.

Boosting Workers' Basic Skills

By Joan C. Szabo

Employees at the Armenian Nursing Home in Jamaica Plains, Mass., have high praise for the education program they participate in at work. The benefits are invaluable, they say.

About 17 of the nursing home's 75 employees take part in the voluntary classes, which include a course in English as a second language.

Some who are foreign-born are taking the English class so they can carry out their duties more effectively with their co-workers and the nursing home's residents. The course also improves their self-image and encourages personal growth, they say. Others hope to become certified practical nurses eventually, a step up the career ladder.

The nursing home's administrator, Ira Lipshutz, is as enthusiastic as his employees about the program. "It helps increase their professionalism and productivity," he says, and it gives the employees a better understanding of the materials they receive on the job relating to nursing practices and nursing-home safety.

Lipshutz has discovered what other managers of small firms with workplace education programs have found: Such assistance helps him attract and retain workers and improve employee morale. He adds that "it is important to offer something back to employees besides a paycheck."

Most of the courses offered by the nursing home are conducted when the work shift changes. Lipshutz pays participants at their regular wage rate for half the time they spend in class, and he also pays for course supplies. The program is convenient because many classes are offered at the nursing home. Other classes are offered off the premises.

The program, now in its fourth year, is funded through a U.S. Department of Education grant and is administered by the Continuing Education Institute, a private educational organization in Needham, Mass. In addition to the English class, the program offers a course in basic reading, writing, and arithmetic; a program leading to a high-school diploma; and a course leading to a practical-nursing certificate.

Like nursing-home administrator Lipshutz, countless operators of small and medium-sized businesses throughout the country are finding that many workers lack basic language and workplace skills.

PHOTO: ©RICHARD HOWARD

A class *at the Armenian Nursing Home is taught by Marianne Smith Geula.*

Such findings emerged in a study last August conducted by the Roper Organization for the Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce. In telephone interviews with 250 small companies, 86 percent of the firms said it's important for their employees to have reading skills, and 29 percent said they have problems finding employees with adequate reading skills.

In a separate, recently released workplace survey by two management professors at Old Dominion University, in Norfolk, Va., 63.5 percent of the 1,328 firms that responded said they have workers who lack basic skills—the ability to read, write, and comprehend English and to perform required computations.

The common theme throughout the survey is that jobs are becoming more complex, says Claire Anderson, one of the two researchers who conducted the study.

Basic Skills At Work

Establishing a basic-skills program takes a lot of planning, says Sinclair E. Hugh, a consultant in human-resources management, in Irvine, Calif. Hugh cites the experiences of Weber Metals, a Paramount, Calif., aerospace-supply company with 190 employees. He helped the company establish an education program in the workplace for employees. The program uses computers provided by the local adult-education school through a federal grant.

Here are steps that Hugh recommends small firms follow in establishing a program:

- Determine the company's education needs by assessing the extent of its education or literacy problem. "Try looking at work samples to find out what the specific needs are," says Hugh. "It also helps to talk to supervisors."
- Look for funding sources. Sometimes there is federal or state funding that could help defray most of the cost of establishing an education program.
- Decide whether you will use the traditional classroom approach or a computer-assisted learning program. Computers usually are more costly, Hugh

Workplace programs in reading, arithmetic, and other basic skills can improve employee productivity and morale.

PHOTO: T. MICHAEL KEZA

Basic-skills classes *are available for employees after work at the Loxcreen Co.*

In addition, 46 percent of the survey's respondents whose workers lack basic skills said they expect jobs for such employees to decline in the near future.

As workplace changes continue, more employers are deciding that they must take steps to enhance the education levels of workers deficient in basic skills.

The importance of literacy and basic work-force skills was recently acknowledged by the federal government when Congress passed and President Bush signed into law the National Literacy Act of 1991. It authorizes several new programs; any appropriations for the programs are to be made by Congress for the 1992 federal spending year.

The new efforts include establishment of a network of state or regional adult-literacy centers and creation of a Department of Education program to develop, test, and replicate effective strategies for improving work-force literacy.

Experts say workplace education programs offer considerable promise in enhancing on-the-job skills. But the U.S. Small Business Administration estimates that only 9.3 percent of small-business employers provide remedial basic skills for their employees. Many small firms that forgo such programs do so mainly because of administrative requirements and cost.

To overcome these barriers, small firms are advised to consider subsidized training programs offered by federal and state government agencies. "Visit your nearest community college or adult-education institution to determine whether they can help set up a workplace education program," says Mary Vencill, a vice president at Berkeley Planning Associates, a for-profit public-policy research group in Oakland, Calif. Vencill was the principal investigator for a recently released study sponsored by the Small Business Administration on workplace education efforts among small companies.

Vencill says she found in her study that most firms with workplace programs had received help from someone outside the company, usually an educator or a representative from a local volunteer organization, who assisted with the financing and the establishment of the program.

At the Loxcreen Co., a West Columbia, S.C., screen-door manufacturer, a state-funded program has helped make basic-skills courses available to employees in the workplace. The courses, which are held after working hours, include preparation for obtaining a high-school-equivalency diploma, reading tutorials, preparation for obtaining a commercial driver's license, and introduction to computers and word processing. Workers who take the courses are paid at 50 percent of their wage rate for the time they spend in class.

The program is highly beneficial for the company, says Phil Hoffman, personnel manager for Loxcreen. Several employees have received a general-equivalency high-school diploma, and some were so encouraged by their success that they have started taking technical-school courses on their own, he says.

Also working to improve the educational level of employees in its industry is the National Association of Printers & Lithographers (NAPL), a Teaneck, N.J., graphic-arts trade association representing 3,700 member companies.

The industry recently launched a

---

says, but the traditional classroom setting may intimidate some employees.

■ Determine whether the courses will be at the workplace or at a local community college or adult-education center. Experts say that on-site programs are among the most effective ways to provide instruction.

"It is difficult to send employees to classes off site because most don't want to go to school after they have worked eight hours. At Weber, we put the computers 15 yards from the washroom," says Hugh. "We wanted to make it convenient. Employees can go in at break time, lunch time, and before and after a shift."

■ Screen employees carefully. If a standardized literacy test must be given before the program starts, for example, be careful about how you introduce this requirement to your employees. "You must make them feel that the test isn't the company's way of finding out who is poorly educated," says Hugh.

■ Determine the type of incentive you will use to encourage employees to participate in the program. "We gave two lottery tickets for employees who would just try the computer," says Hugh. "Then we worked out a gift program in which hours spent on the computer translated into a certain dollar amount for gifts."

workplace enhancement program to boost its workers' skills. A recent NAPL survey showed that 63 percent of the printing companies responding attributed some of their pressroom and bindery paper waste, equipment failures, chemical misuses, and other serious shop-floor errors to a lack of basic skills among employees.

The program is known as the "Carl Didde WorkPLACE Program," in honor of Carl Didde, chairman of the board and founder of the Didde Corp., a supplier of printing equipment headquartered in Emporia, Kan. Didde Corp. is jointly funding the program with NAPL.

The program, which NAPL describes as the only industry-specific essential-skills program in the U.S., has been made available to all CEOs and human-resource personnel in graphic-arts companies. For a small fee, NAPL provides a manager's source book, which is a complete guide and implementation plan for the program.

If a company chooses to move forward with the NAPL program, it administers a workplace-skills inventory to employees. This is a voluntary, anonymous assessment that indicates whether skills are deficient. Any deficiencies can then be addressed by one or more of the four NAPL courses: on-the-job math computations, workplace communications, critical thinking and problem solving, and the graphic-arts process. About 300 companies are taking part, says Susan Reif, manager of the NAPL program.

Launching a workplace education program is not without challenges. Old Dominion University's Anderson says employers should realize that recruiting workers for a program can be difficult. There often is a social stigma associated with remedial work, she says.

To help remove any such stigma, literacy programs now are generally called "workplace education" or "skills-enhancement programs." In addition, the courses should be presented to workers as positive, skill-building exercises available to everyone, says Vencill. It also is important to assure employees that their jobs are not threatened and that the program is being offered because the company values them.

"You want to make learning relevant to an employee," says Vencill. "If employees don't buy in, you may as well not bother. When workers feel that something is going on that benefits them as individuals, then they get excited about it," she says.

The experts also recommend use of such incentives as full or partial pay for class time.

Beyond basic-skills training, small firms are finding that workers must improve their problem-solving and decision-making skills because more jobs will require them. One program to help workers do this has been developed by Kepner-Tregoe, Inc., a Princeton, N.J., consulting firm. The program, called Analytic Trouble Shooting, minimizes written materials and relies heavily on pictures to help workers become better at solving problems and making decisions.

These skills can be built into the work force regardless of literacy levels, says T. Quinn Spitzer, chief executive officer of Kepner-Tregoe. "As employers, we must realize that we are not going to transform our work force into a literate one overnight. But we must be competitive while the transformation is going on."

As technological advances and other workplace changes continue to demand more of today's workers, companies of all sizes will be required to place a greater emphasis on boosting employees' basic skills and problem-solving abilities. Many businesses will come to realize, say work-force experts, that investment in developing a skilled work force is as critical to profitability as investment in plant and equipment. NB

To order reprints of this article, see Page 69.

Resources On Workplace Education

Here are sources of information and assistance for firms considering workplace education programs:

The Business Council for Effective Literacy is a foundation that encourages business to promote adult literacy. It offers a number of publications, including those designed to help companies explore workplace programs. Contact the Council at 1221 Avenue of the Americas, New York, N.Y. 10020.

The CONTACT Literacy Center is a national literacy hot line for listings of local volunteer literacy programs. Call 1-800-228-8813.

The Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce, can provide assistance on general workplace literacy questions. Write to the Center at 1615 H Street, N.W., Washington, D.C. 20062; or call (202) 463-5525.

Local chambers of commerce can be located by calling the U.S. Chamber of Commerce's Office of Chamber Relations, (202) 463-5580. There are more than 5,000 state and local chambers of commerce in the U.S., and they can identify local providers of education and training.

In Helena, Ark., for example, Jim Flowers, executive director of the Helena Chamber of Commerce, linked Nitrogen Products, a chemical manufacturer moving to Helena, with Arkansas' Industrial Training Program. The program provided training for new employees in mathematics, science, and workplace safety at no cost to the new company.

State agencies such as departments of labor, education, economic development, and human welfare generally gather data on federal as well as state workplace education and training programs. Also, many governors have established task forces or offices for coordinating education and training efforts in their states.

The Adult Education Act and the National Literacy Act of 1991: The adult-education law provides money through state education departments to local school districts for the teaching of basic education and job skills to certain targeted groups, which increasingly include unskilled and low-skilled workers.

The law also authorizes the U.S. secretary of education to make demonstration grants for job-related programs of literacy and basic skills that result in new or continued employment, career advancement, or increased productivity. Federal assistance is available to education partnerships and business organizations to set up the programs.

The literacy law authorizes several new programs, including state literacy-resource centers and a national program on strategies to improve work-force literacy.

For more information on these two laws, write to the Clearinghouse, Division of Adult Education and Literacy, Office of Vocational and Adult Education, U.S. Department of Education, Washington, D.C. 20202-7240, or call (202) 732-2396.

Community colleges and junior colleges near you can be located by calling the American Association of Community and Junior Colleges, in Washington, D.C.; (202) 728-0200.

Adult-education classes, usually offered through local secondary schools, provide basic education skills and some job-related skills at no cost to employers or employees. For the locations of classes in your area, contact your local education department's adult-education office.

To Barter or not to Barter...

Photo by: Daniel Aubry

But there's really no question about it. It'll probably be the best business decision you'll make all day. And the results will benefit your company all year. Because barter takes care of the cash problem.

Fact is, barter replaces cash.

You and your clients deal in goods and services instead of dollars and cents. In other words, you trade what you have (your current inventory or manufacturing capacity) for what you need (you name it: office equipment to golf carts, heavy machinery to condo rentals). Suddenly, business isn't as complicated as it used to be. Cash flows increase because you're using less cash. Slow moving inventories don't have to be discounted because you're trading it a full wholesale price. And because you can also barter unused pro duction capabilities, manufacturing facilities run at full peak.

Of course SGD barter services aren't all business. Because if this has been the winter of your dis content your trade can get you, or your client, just about anything under the moon, stars or sun. Cruises. Show tickets. Clothing. Restaurant credit. To name just a few of our barter offerings.

Lend us your ear. With all this going for you, what you really have to ask yourself is this: Can I afford not to barter with SGD?

SGD is not a barter club but a trade organization. There are no fees, service charges or hidden expenses. We trade for our own account and our own inventories.

SGD CORPORATION

Circle No. 15 on Reader Service Card

Small-Business Computing

What to look for in accounting programs; saving keystrokes in Windows; the long-awaited update for Q&A.

By Ripley Hotch

ACCOUNTING

Not Just For The Numbers

Unlike other major business programs—word processing, spreadsheets, databases—accounting software has never been dominated by one product.

"The major reason is that everybody's needs are so diverse that no one package is flexible enough and inexpensive enough to come close to meeting all of them," says Ted Needleman, editor-in-chief of *Computers In Accounting*. Accounting is one of the two most-used business applications (the other is word processing). Most surveys show that companies go through two or three programs before settling on one.

Because of the enormous number of accounting programs available—more than 100 of them, not to mention various add-on programs that customize aspects of them—any business is hard-pressed to choose the right one.

In addition, most small-business owners are not accountants and don't like accounting. "They think General Ledger is a World War II hero," says Scott Cook, president of Intuit, which publishes **Quicken.** Add in the general fear of computers that still dogs a lot of owners, and it's less surprising that wrong—and costly—decisions are made.

But a properly used automated accounting system can do a lot for small businesses besides financial record keeping. Basic modules include general ledger, accounts receivable, accounts payable, invoicing, inventory, and purchase order. Beyond that, an accounting system can add a wealth of other functions: payroll, job costing, order entry and point-of-sale recording, report writing, graphic analysis, budgeting, ratio analysis, bank reconciliation, and anything else a vendor can develop. Mark Lee, president of Micro Associates and author of **Mica 3.2** and **Mica IV**, agrees with Needleman that everyone's needs are different. "Most people don't like to change the way they do business," says Lee.

He suggests that you think of PC-based accounting as offering different possibilities: It can be financial record keeping (for tax-reporting purposes), management information (cash flow, comparative sales figures), or a productivity enhancer (getting invoices or payroll out faster).

If you have a good CPA, the financial end may not concern you, but you could use help on job costing. So you have to analyze your own company's needs, and find software that meets those needs.

PHOTO: ©GEORGE OLSON

Scott Cook, *left, president of Intuit, works with customer reps to assure high-quality service for Quicken.*

"People are using the accounting system just to produce governmental reports," says Needleman, "but there's a lot of information in the system that is very useful for management purposes. There's too much dichotomy between financial accounting and management." The value of an accounting system is that it can deliver instantly information that can help a manager make critical decisions, he says. "Information is like sushi; it tastes better when it's fresh."

The basic function is financial record keeping. The lower-end programs try to offer a friendly and comprehensible way for you to do your books, with assurance that you are going to keep track of things properly. At the lower-priced end, the largest seller is Quicken, which is a personal-finance program as well as a small-business accounting system.

Quicken has succeeded because it has tried to keep the program simple enough for nonaccountants but capable enough to enhance productivity. "For most small companies," says Cook, "the CPA does the official stuff. Inside, all you need to do is keep clear, accurate books." So Quicken avoids terms like "chart of accounts," substituting "categories" instead. It is a single-entry system that focuses on automating the time-consuming and costly tasks often done by hand.

One of the tasks is payroll. Payroll services are expensive, so Quicken has an add-on module called QuickPay, which automates the process. Disks that update the tax tables for each state are available for an annual fee.

Cook says customer service is as important as the product in Intuit's accounting packages: "In our customer-service operation, we're fanatical. The bookkeeper has only one place to turn: us. We have to be there. It is unethical for us not to be there for them. We also find out what they need. You want to know every place where someone has trouble enough to call, because you must know where the flaws are." Intuit's customer-service operation is famous in the industry—more than 10 percent of revenues are plowed back into support.

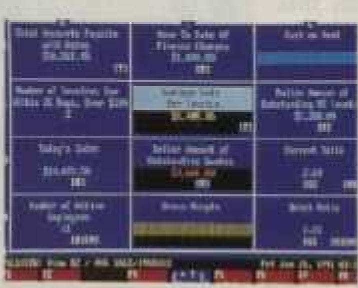
Great American Software has put together what it calls a "complete solution" for small business: **Accounting Works,** which combines the One-Write Plus accounting program, payroll, and Get Paid Plus (a word processor with form letters to help in collections and correspondence). It links the data to spreadsheets and gives you a menu organizer and a backup utility. Great American has also moved into point-of-sale software with **Retail Express,** which links cash register with inventory control and accounting.

"We want to be the remote CFO for a million small businesses," says Roger Melanson, president of Great American. "I basically think of accounting as a database for small business with a focus on financial."

Great American was recently acquired by Meca, publisher of **Managing Your Money**, a leading financial management package that is also used as a single-entry bookkeeping tool by small businesses.

The two companies are a good match, because they use electronic versions of the familiar checkbook or one-write systems. "Using those metaphors in a product gives the small-business person who is not an accountant a high probability of success," says Meca's president, Dan Schley. "Great American has understood that, and few other companies have."

DacEasy, very popular among small businesses, has just brought out a new version, **DacEasy 4.2** with 11 modules, including two called Graphics and Forecasting. So it is clear that the lower end of the market is thinking of small-business owners not just as bookkeepers but also as planners using their accounting systems to manage better.



Forest and Trees *helps firms analyze their accounting data.*

Some of the lower-end products are moving to Microsoft's **Windows**, figuring that the easier interface may help inexperienced users. Quicken has a Windows version (although without QuickPay, Intuit's add-on module), as does Computer Associates with its **Simply Accounting**, and other vendors are working on them.

Windows accounting programs get mixed reviews, which probably is not surprising because they are new and still evolving. Generally, data entry is slower, in part because there's much back-and-forth from the keyboard to the mouse. Peachtree, whose DOS accounting package **Peachtree Complete III** is widely used, has **At Once**, a Windows-style package that doesn't require Windows.

In general, however, the reporting capabilities of the lower end are relatively limited. You get financial statements, cash flow, current balance, and breakdowns of expenses by account or job, but for extensive and customizable reports and for multiuser features, you need to move up the scale to products such as **Great Plains Accounting, Platinum, Macola, Mica IV, Solomon,** or Computer Associates' **Accpac Plus**.

Higher-end programs offer a wide range of features, but the attendant learning curve and complexity are drawbacks. "My concern with high-end is that they are constantly adding features," says Charles Chewning, who publishes **The Accounting Library,** a software program that helps buyers match needed features with those available in accounting packages. "It's still the small company buying software. All these features are adding layer upon layer of complexity, when what you want is basic reports."

Mark Lee says there is a price for all those features: "The more power you put into a program, the more complexity you introduce; if you put in something one guy in a hundred can use but everybody else has to go through it to get to what they want, they're going to give up. It's tough to balance it out, to get the power and hide the features."

Information for a manager, says Chewning, is different from detailed reports of inventory. "At the bottom of the pyramid, reports focus on day-to-day control; as you move up, it's future direction. A manager needs to make a decision, so reports must become much more concise, more pithy. Those sorts of systems do assist in that process."

Great Plains offers a customized version of an add-on product, **Forest and Trees,** which analyzes the accounting database according to requirements the manager lays down, and it sounds an alarm if any values exceed a point set by the manager. Forest and Trees can work with any kind of database, although customizing it can require a third-party vendor's services.

Some companies have taken the notion to its logical conclusion: Instead of calling their programs accounting, they call them "business management" or executive information systems.

Management Information Software, Inc., has developed a product it calls **Managing Your Business.** It's basically a full-fledged double-entry accounting system. At its highest level it includes contact management, word processor, employee management, point-of-sale tracking, and a variety of reports.

Similarly, BusinessVision Management Systems calls its **BusinessVision II** a "business-management and accounting system" for small business, although it is strongest for retail, not service businesses.

Ease of use is important in a program; at the low end, that is what has put Quicken out in front and kept it there. At the high end, **Mica IV** came out on top in a recent *Software Digest* magazine article that looked intensively at high-end accounting packages. Ease of use was its strongest point, but the program also carries out Mark Lee's vision that "reports are everything."

Says Chewning, whose Accounting Library was used in setting up the review: "It has a lot of features. For example, you can set up pay priorities for customers, and pay dates, and the program will tell you how much you have committed. Then you can adjust the priorities until you come up with a consistent way to pay and the amount you want to commit."

Intense customer research and nimble

THE ACCOUNTING SOFTWARE YOU'VE NEVER HEARD OF IS NOW RATED #1 BY SOFTWARE DIGEST. VOL. 8 NO. 12

That's because MICA IV is powerful yet easy to use. Simplicity and flexibility are built into MICA IV accounting software without sacrificing multiuser operation, fully on-line integration, and comprehensive reporting. The result is a system that provides the management edge you need in today's economic environment. Power that performs. User friendliness that's unheard of. All from a company you'll be hearing a lot more about.

MICA Accounting Software
SINCE 1981

Call today for a FREE demo 800-448-6422

Circle No. 6 on Reader Service Card

marketing have become the hallmarks of the companies offering accounting software.

This is very good news for the customer.

Vital Statistics

The Accounting Library, published by Solutions, single-user version, $279; (804) 794-3100.

Accounting Works, published by Great American Software, $299; Retail Express, $199; 1-800-388-8000.

BusinessVision II, single user: $369 list, including payroll, point-of-sale, and sales analysis; Western U.S., 1-800-879-7899, Central, 1-800-832-7835, Eastern, 1-800-836-4276.

DacEasy 4.2, $149.95, Payroll $99.95, current user upgrade, $45; 1-800-877-8088.

Forest and Trees, from Channel Computing; list, $495 for single user; 1-800-289-0053.

Great Plains Accounting, Version 6, $795 for most modules; 1-800-456-0025.

Managing Your Business, published by Management Information Software, $149.95 for Level I, $299.95 for complete version; (813) 832-3449.

Mica IV, $795 per module; **Mica 3.2,** $189 per module, published by Micro Associates, Inc.; 1-800-448-MICA.

Simply Accounting, published by Computer Associates, list $199; 1-800-645-3003.

Peachtree Complete III, list $199; 1-800-247-3224.

Quicken, list $69.95; 1-800-624-8742.

MORE ON ACCOUNTING

Billing Software Adds An Accounting Link

Timeslips III has long been the favored program of professionals who bill clients for time. As a "timer," it works in the background, keeping track of your billable time. Then it calculates the dollar value of that time (or you can enter it manually). Then the program generates various reports and bills, by whatever format you decide to create.

Because the service professional keeps accurate track of what service is being provided, an itemized bill allows the client to see what he or she is paying for, and exactly how a bill breaks down. The more concrete the bill, the more likely the professional will receive timely payment.

Timeslips III now has version 2 of the **Accounting Link,** which moves the accounts receivable data from Timeslips to the general ledger of many accounting programs. This is a time- and error-saver. Timeslips III lists for $299.95, and the Accounting Link for $79.95.

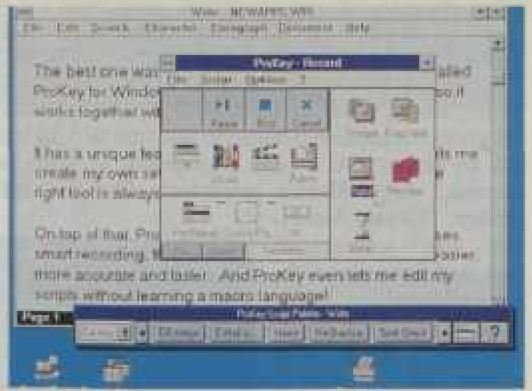
MACROS

Making Windows Easier

Windows 3.0, Microsoft's graphical user interface, has swept PC users up in a general enthusiasm that leaves a few nagging doubts in the dust. One of our problems with Windows is that it takes a lot of work with the keyboard and mouse to do certain repetitive operations.

"Macros" are one way to solve the problem: Put all the commands for one action in a file, and assign that to a single key. Macros have long been at work in all kinds of programs, the best of which have a macro "recorder" that operates a little like a tape recorder: It watches the keys you tap, records them, and stores them for playback at any time.

Now there's a handy macro recorder for Windows itself. **ProKey for Windows** from RoseSoft is a Windows version of the DOS ProKey.



ProKey for Windows: *A handy way to record often-repeated lengthy sequences of keystrokes.*

Any of the macros recorded can be launched from a script with the same kind of buttons that Windows users have gotten used to. Scripts can be edited after they are recorded (a lot easier than having to start over when you've made a small mistake).

ProKey for Windows lists for $99.

UPDATE

An Old Friend Gets Better

Q&A, from Symantec, is the most popular flat-file database (restricted to working with one file as opposed to relational databases that have a programming language and can combine information from several files into one report in one step). Symantec has brought out version 4, which has a number of improvements throughout the program.

For most small businesses, a complex relational database is more horsepower than the job requires. With this new version of Q&A, you can "post"—update information from one database file into another—which is extremely useful for creating a different way of looking at information or for keeping a particular file up to date. It's almost relational.

The first-rate basic word processor now has a preview mode that lets you see what a document will look like before you print it.

And the fact that Q&A can handle mail merge out of your database directly means that you don't have to do a lot of complicated transfer of data from the database into a word processor. Printing is straightforward; Q&A handles mailing labels and envelopes flawlessly, and it gives you templates for all variations of mailing label sheets. The program has always been superb at printing labels. It is not a desktop publishing program, as many word processors are becoming, but it does its job exceptionally well.

Symantec also puts out **More Power To You,** a guide to specialized applications and consultants. The program has always been a favorite of ours, because of the word processor and because it is easy to use. Now its dozens of small improvements make it well worth getting the upgrade.

TOOLS

Quick, But Not Dirty

At the other extreme from accounting packages is a tool like **Finance 10** from Financial Software. The program puts 10 financial calculators a keystroke away, including bond yields, depreciation, loan amortization, lease-purchase analysis, and IRA values. The program also comes with a number of discount certificates for related software programs. Finance 10 is priced at $69.95.

Easier Entry

Sometimes you have to type data into the PC. Many devices have been put on the market to hold copy, but Vision Vu, of Tyler, Texas, has come up with one of the neatest. It's a plexiglass holder that resembles a clear music stand and holds a document just under the monitor. It comes in two widths: 18 inches at $89 and 14 inches at $84. Quantity discounts are available. 1-800-678-2629. NB

JAPAN

Few things are certain in U.S. politics, but this comes close: With the presidential and congressional campaigns under way and the American economy at a virtual standstill, at least one candidate for national office will make headlines any day now by complaining loudly that Japanese companies are buying up America.

The implication of this complaint, of course, will be that Japanese manufacturing investments in the U.S., which have increased dramatically the past decade, are bad for Americans. But statistics argue persuasively that just the opposite is true.

At the end of 1990, there were 1,433 plants of Japanese affiliation operating in 47 states and the Commonwealth of Puerto Rico, according to a survey conducted by the Japan External Trade Organization (JETRO), which monitors Japanese overseas investment. California led the way with 246 of these facilities, and Ohio was a distant second with 106.

These plants employed more than 300,000 tax-paying workers, JETRO estimated, some 98 percent of them Americans.

Even more beneficial to Americans and the U.S. economy, about 75 percent of the facilities studied by JETRO bought more than 50 percent American raw materials and component parts. And slightly one-third carried out research and development in the United States rather than back home in Japan.

Interestingly, at a time when U.S. trade deficits remain high, nearly three in five of these U.S. plants export at least some of their output, JETRO reported, with about half of the remaining plants planning overseas shipments in the near future.

Moreover, in an effort to be exemplary corporate citizens of the U.S., Japanese subsidiaries will donate about $500 million in gifts this year to education programs and charitable causes, according to Craig Smith, publisher of the "Corporate Philanthropy Report," in Seattle.

For a look behind the statistics, following are comments on the benefits of foreign investment in America from several prominent and widely respected Japanese business leaders.

Industrial Bank Of Japan

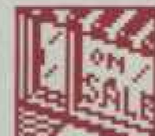
Hideo Ishihara, vice president of the Industrial Bank of Japan, notes that in recent years Japan's direct investment in the U.S. sharply increased. On the other hand, U.S. direct investment in Japan has remained subdued.

Japanese direct investment in the U.S. totaled $15 billion in 1987, $22 billion in 1988, $34 billion in 1989, $27 billion in 1990, and it will reach an estimated $24 billion in 1991. The downturn is attributed to the completion of direct investment by Japan's major manufacturers and the dearth of investment in the U.S. real-estate property following the burst of Japan's speculative bubble since last year.

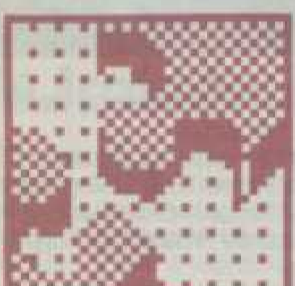
Advantages for Japanese investors are numerous, for example,

Your User-Friendly

It's a high-tech world we live in today, and nowhere more so than in international business. The rules are complex, the changes rapid, the opportunities enormous.



The Sogo Shosha, Japan's general trading companies, have all the tools your company needs to achieve its potential in this demanding environment. And to do it anywhere in the world.



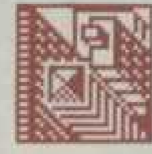
We offer of course our unparalleled *trading* capabilities, together with global *marketing* and *distribution* expertise.

But we are also ready, willing, and very able to assist you from the earliest stages of *planning* and *organizing*

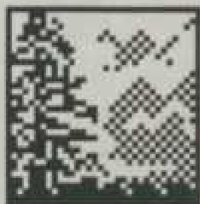
CONTACT US FOR MORE INFORMATION: C. Itoh & Co. (America) Inc. (212) 818-8000; Chori America Inc. (212) 563-3264; Itoman (U.S.A.) Inc. (212) 869-1700; Iwatani International Corp. of America (201) 585-2442; Kanematsu USA Inc. (212) 704-9400; Kawasho International (U.S.A.) Inc. (201) 585-8115; Kinsho International Corp. (212) 269-0600; Marubeni America Corp. (212) 599-3700; Mitsubishi International Corp. (212) 605-2000; Mitsui & Co.(U.S.A.) Inc. (212) 878-4000; Nagase America Corp. (212) 354-3140; Nichimen America Inc. (212) 719-1000; Nissei Sangyo America, Ltd. (201) 487-7001; Nissho Iwai American Corp. (212) 704-6500; Nozaki America, Inc. (212) 466-1222; Okura & Co. (America) Inc. (212) 752-3600; Sumitomo Corp. of America (212) 207-0700; Tomen America Inc. (212) 397-4600; Toshoku America Inc. (212) 759-0300; Toyota Tsusho America Inc. (212) 371-3030.

*Bus*i*ness* *I*nter*face*

your next major project. We can provide  outside *consulting* and *information services.* Or bring in our know-how in *environmental planning and resource development.*



And then we can help *finance* and *develop* your company's plans, whether they involve corporate restructuring,



mergers and acquisitions, joint ventures, or entirely new businesses.

Whatever the interface your company seeks with the world,

the Sogo Shosha have the *technology* for the job.

The Sogo Shosha listed here are members of the Japan Foreign Trade Council, Inc.

THE SOGO SHOSHA

Opportunities Incorporated

JAPAN

gaining access to cheap raw materials in the U.S., manufacturing near consumer markets and thus cutting shipping costs, and in some cases avoiding the U.S. import quota restrictions such as the export/ import quota imposed on Japanese car exports to the U.S., which used to be 2.2 million a year and is now 2.3 million.

Japanese investment and management styles have also benefited the American people and economy by bringing thousands of jobs and introducing lifetime employment and seniority systems, companywide labor unions, and decision making by consensus.

Hitachi, Ltd.

Toshi Kitamura, vice president of Hitachi, Ltd., notes that Hitachi people welcome American direct investment in Japan and says that Hitachi's concept for overseas investment has changed. Prior to 1985, Hitachi investment was in low-wage countries such as Thailand in an attempt to bring down production costs. But at the suggestion of the Ministry of International Trade and Industry, Hitachi drew up some measures that would help dissolve the trade imbalance with the U.S. On July 31, 1985, Hitachi announced its own action program, one day after the government's announcement of Japan's action program. This triggered Hitachi's investment in the U.S.

The program consists of three major components: 1) Set up Hitachi Foundation in the U.S.; 2) set up Hitachi manufacturing facilities; 3) buy American products.

The Foundation was established in Washington, D.C., and is probably unrivaled by other Japanese companies, says Kitamura. This Foundation, with its $28 million Hitachi endowment, has been honored by the state of California and Japan's Ministry of Foreign Affairs for its support of cultural, educational, and philanthropic activities in American communities.

Jonathan Levy, *fourth from left, an American who teaches English in Japan under the "Japan Exchange and Teaching Program," plays volleyball with students.*

Hitachi manufacturing facilities are becoming a reality, such as Hitachi Automotive Products (HAP) in Kentucky and Hitachi's computer peripheral plant in Oklahoma. Hitachi America was set up as the sales company, with annual turnover of $150 million at present. This company will eventually be converted into a holding and sales company.

Following Kitamura's announcement of Hitachi's procurement plan at the National Press Club in 1985, Hitachi's buying of American products expanded from $250 million at that time to $400 million in 1986 to over $1 billion a year now.

Toshiba Corp.

According to Kinichi Kadono, senior executive vice president of Toshiba, the company's investment in the U.S. was motivated by political and other considerations to avoid trade frictions, dumping charges, higher import tariffs, and appreciation of the yen against the dollar.

Toshiba alone has hired about 8,000 U.S. workers. Its direct investment in the U.S. is as follows: Toshiba America, Inc., Toshiba America Information Systems, Inc., Toshiba America Medical Systems, Inc., Toshiba America MRI, Inc., Applied Super Conetics, Inc., Toshiba America Electronic Components, Inc., Toshiba Display Devices, Inc., Vertex Semiconductor Corp., Enceratec, Inc., Toshiba America Consumer Products, Inc., Toshiba Hawaii, Inc., and Toshiba International Corp.

Toshiba's U.S. subsidiaries have produced merchandise suitable for the American consumers. They use local components as much as possible and are making efforts to help export some of their products to other countries. This contributes positively to the U.S. trade deficit.

As to American investment in Japan, American semiconductor manufacturers such as Texas Instruments, Motorola, and IBM are benefiting from the high standard of Japanese technology and the high-yielding ratio of Japanese workers (very little rate of deficiency, called "Budomari" in Japanese).

"We can confidently claim that our U.S. subsidiaries have benefited American communities, not only in terms of employment but in terms of contribution to the local community as well," Kadano notes. "We have not stipulated how much financial assistance will be given" to each individual community where Toshiba maintains a facility, he says. However, he notes that the parent company in Japan will "give active [financial] support for the idea or plan [for community involvement] conceived by each subsidiary in the U.S."

Fujitsu, Ltd.

As is the case with the Japanese companies above, Fujitsu's direct investments in America have contributed substantially to the U.S. and to individual Americans by stimulating the economy and creating jobs.

Fujitsu Chairman Takuma Yamamoto notes that his firm also has undertaken many other interesting and constructive activities in America.

For example, way back in 1972, when Fujitsu's U.S. sales totaled only a few percent of its annual volume, the firm established the "Japan-America Institute of Management Science" in Hawaii. Then as today under the school's program, Yamamoto says, "American businessmen study Japanese management, and Japanese are learning American management, including one year of practice training for Americans at Fujitsu's head office in Japan."

"The eyes have one language everywhere."

George Herbert

True vision is without boundaries. So when the **New York**-based Project ORBIS developed a program to save or restore eyesight, they put a teaching hospital on an airplane and took it around the world.

On board are five Toshiba laptop computers. Not only to record surgical schedules, patient records, and lecture materials, but also to manage the flow of information between the aircraft, Project ORBIS headquarters and its offices throughout the world.

And for the people of Toshiba, it is just one more chance to help see a better tomorrow.

Photograph by Chad Phillip

Color TVs & VCRs • Computers & Printers • Copiers • CT Scanners • Digital Instrumentation • Disk Drives • Facsimile Systems • Industrial Motors & Controls • Liquid Crystal Displays • Medical Tubes • Mobile Electronics • MR Imaging • Nuclear Medicine • OPTO Electronic Devices • Picture Tubes • Professional Video Systems • Room Air Conditioners Satellite Receivers • Semiconductors • Telecommunication Systems • Turbines & Generators • Ultrasound • Uninterruptible Power Supply • Variable Speed Drives • X-Ray Systems

In Touch with Tomorrow

TOSHIBA

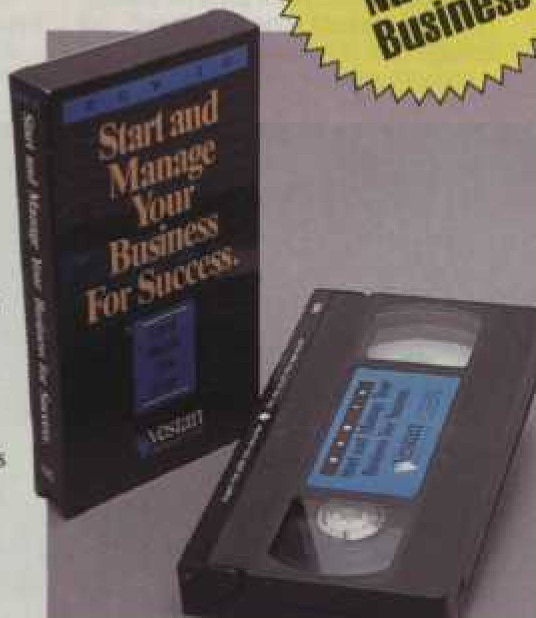
Nation's Business

Success Strategies to Help You Achieve Higher Sales and Profits

New Video from Nation's Business

An Award-Winning Video that Helps You Predict the Health of Your Business... and Gives You the Means to Improve It!

HOW TO START AND MANAGE YOUR BUSINESS FOR SUCCESS



Now you can eliminate the risks, build a winning business plan that reflects your goals and desires, and speak the language that will earn you respect—and the cash you need—from the people who count. This remarkably well-produced business video gives you all the information you need to succeed in *your* venture: everything from selecting the right CPA and attorney to understanding the vital data your banker looks for and calculates from your financial statement. Learn about the advantages and disadvantages of partnerships, joint ventures, and corporations. Compute your cash flow, working capital, debt to equity and other helpful ratios. You'll find the answers to your questions in this exciting new video...and build your business on a solid and permanent foundation.

VHS only. Running time 77 minutes. Includes 8 page guidebook. $49.95

Learn the Management Skills and Techniques Used by the Nation's Most Successful Business People!

EXECUTIVE SEMINARS IN SOUND

This is the much-acclaimed private seminar program developed by the U.S. Chamber of Commerce. Now you can learn the management skills that have given a valuable career and personal boost to thousands of influential business people. With this course you'll learn how to make *every* minute of your day count; you'll develop organizational and planning strategies that will help you and your company grow; you'll become the manager who motivates others to achieve more; you'll acquire the knack of getting your ideas across to even the most stubborn adversary. Try this best-selling business skills course today!

Course contents: 8 audiocassettes, guidebook, and durable shelf binder. $95.00

ORDER NOW! CALL TOLL-FREE **1-800-331-1234**

A Blueprint for Creating, Maintaining, Continuing, and Enjoying Your Family Enterprise

HOW TO MAKE YOUR FAMILY BUSINESS OUTLAST YOU

Running a successful family business may be one of the most difficult tasks in today's business environment. Let three of the nation's most prominent experts/consultants guide you through the steps that will give you and your family the rewards that only a family business can provide. Your consultants-on-cassette will help you communicate your business vision so the next generation can build upon your base; understand the characteristics of healthy families and how to manage the inevitable conflicts; identify and overcome the five barriers to long-term success; prepare children for leadership roles; develop a succession program that prepares children and parents for change and new responsibilities; and find and use the advisers and directors who will become a valuable resource to your family business. This is a *must* for anyone involved in a family business.

Course Contents: 6 audiocassettes, resource guide, and durable shelf binder. $95.00

30 Franchise Experts Reveal the Secrets of Selecting and Succeeding in Business

FRANCHISING:

HOW TO BE IN BUSINESS FOR YOURSELF— NOT BY YOURSELF

Before you select a franchise opportunity, you need to be absolutely certain you've selected the right one for you. This outstanding video—developed in conjunction with leading bankers, government officials, lawyers, accountants, and many of the nation's most successful franchisors—will help you evaluate franchise offers...avoid the pitfalls... understand how franchisors evaluate you...and get you off to a quick, confident start. This is must viewing *before* you commit a lifetime of savings!

VHS and Beta. Running time 58 minutes. $49.95

Get the Answers to the Questions Most-Asked by Small Business Owners

THE SMALL BUSINESS RESOURCE GUIDE

This valuable booklet, based on Nation's Business famous *Direct Line* feature, has the answers to the most frequently-asked questions by readers with the same interests as you. Get answers you need about starting and running your business, including marketing, retailing, exporting, financial planning, trademarks, management, manufacturing, and more!

62 page fact book. $5.95

ORDER NOW! CALL TOLL-FREE **1-800-331-1234**

Now On Computer Disk!

LEGAL LETTERWORKS

165 LEGAL FORMS AND AGREEMENTS

Count the times you've needed a legal form: a will, partnership or corporation papers, brokerage agreement, real estate lease, contract for sale of goods. Now you can save money on legal fees and avoid time-consuming, deal-killing delays. Just call up the form you want on your computer, fill in the blanks, and print out a completed form.

452 page book (165 legal forms) and computer disk (IBM 5-1/4, IBM 3-1/2, MAC). $79.95

SALES LETTERWORKS

300 EXPERT LETTERS THAT GENERATE SALES AND PROFITS

No matter what your business is or who you're trying to convince, SALES LetterWorks has the *perfect* letter for virtually every selling situation. Call up custom crafted letters on your computer that cover every aspect of selling: creating repeat business, door openers, lead generators, customer relations, responses to objections, collections.

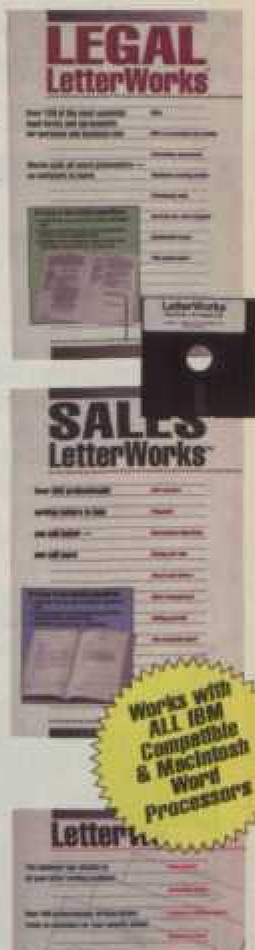
372 page book (308 letters) and computer disk (IBM 5-1/4. IBM 3-1/2, MAC). $79.95

LETTERWORKS

400 PROFESSIONALLY-WRITTEN LETTERS TO COVER ALL AREAS OF YOUR BUSINESS

If you've ever struggled to tell an employee you're unhappy with his performance, apologize for an employee's rudeness, make an inquiry to a venture capital firm, or any number of other situations...then LETTERWORKS will simplify your life! You can call up letters from advertising, to dealing with suppliers, to internal communications.

470 page book (400 letters) and computer disk (IBM 5-1/4, IBM 3-1/2, MAC). $79.95



Nation'sBusiness Order Form

Send to: Circulation Dept., 1615 H St., NW, Wash. D.C. 20062

ORDER TOLL-FREE **1-800-331-1234**
OR FAX **1-202-463-5636**

Method of Payment

☐ Check or money order enclosed
☐ Bill my credit card:
☐ VISA ☐ MasterCard ☐ American Express

Card # ____
Exp. Date ____
Signature ____
Name ____
Address ____
City ____
State ____ Zip ____

QTY	PRODUCT		UNIT PRICE	TOTAL PRICE
	How To Start and Manage Your Business For Success	VHS only	$49.95	
	Executive Seminars in Sound		$95.00	
	How To Make Your Family Business Outlast You		$95.00	
	Franchising: How To Be In Business For Yourself–Not By Yourself	☐ VHS ☐ Beta	$49.95	
	The Small Business Resource Guide		$5.95	
	Legal LetterWorks	☐ IBM 5-1/4 ☐ IBM 3-1/2 ☐ MAC	$79.95	
	Sales LetterWorks	☐ IBM 5-1/4 ☐ IBM 3-1/2 ☐ MAC	$79.95	
	LetterWorks	☐ IBM 5-1/4 ☐ IBM 3-1/2 ☐ MAC	$79.95	
		SUB-TOTAL		
		CA & D.C. SALES TAX		
		SHIPPING		
		TOTAL		

Shipping Charges:

Under $10	add $1.00
$10 - $49.99	add $4.00
$50 - $99.99	add $6.00
$100 - $149.99	add $9.00
$150 - $199.99	add $12.00
$200 and up	add $16.00

Note: Credit card purchase must be minimum of $15.00

NB0192

Your Order is 100% SATISFACTION GUARANTEED or Your Money Back

Family Business

Questions of integrity; partnerships of brothers and sisters; a troublesome nephew.

OBSERVATIONS

Coming To Grips With Ethics

By Sharon Nelton

When any new field of endeavor or enterprise comes into being, sooner or later those involved in it must face up to the question: What should our ethical guidelines be? So it is with family-business consultants.

I was asked to organize a session on ethics for the recent annual conference of the Family Firm Institute, held in Avon, Colo. For me, it was a learning experience, and I gained some insight into the seriousness with which many consultants take their ethical responsibilities toward family business.

Most family-business consultants want to serve their clients with integrity.
—Sharon Nelton

The Family Firm Institute is made up of professionals from many disciplines who have turned their attention to family-business consulting. They come from such fields as law, accounting, family therapy, banking, psychology, finance, and higher education—most of which have their own codes of ethics. It is not necessarily easy to superimpose new and possibly conflicting ethical guidelines on top of a code that governs you in your "profession of origin," as one conference attendee called it.

Gerald Le Van, a lawyer by training, is a case in point. Writing in the fall 1991 issue of *Private Business Advisor*, a quarterly newsletter put out by the U.S. Trust Company of New York, Le Van calls attention to lawyers' difficulties in adequately serving family business under the terms of legal ethics and practice. The legal world focuses on individuals, not families, he says. "Every individual is constitutionally entitled to an advocate to protect himself or herself from all other individuals as adversaries.

"Too often the family is trapped in lawsuits because family members become enmeshed in a legal system that by implication assumes all human relationships ultimately will fail," he writes.

Le Van, who has a family-business consulting practice in Asheville, N.C., says he looks forward to the day "when lawyers are permitted by their ethical rules to function as 'whole-family' estate planners and mediators."

At our session at the Family Firm Institute conference, François de Visscher spoke of the need to avoid not only conflicts of interest but even the *appearance* of conflict of interest. As president of his own financial-consulting firm in Stamford, Conn., de Visscher is well aware of the pitfalls of financial advisers encouraging clients to make decisions and deals that benefit the advisers' companies financially.

Panelist Mike Henning, an Effingham, Ill., family-business consultant, shared the "code of conduct" he had drawn up for himself. Included were his commitment to disclosing fees in advance, preserving clients' confidentiality, and offering only those services he is competent to provide.

Family-business consultants must wrestle with questions such as: Who is the client—the person who hires you, the whole family, or the business itself? When is your work with a client complete? And what do you do if you learn your client is unethical?

Family-business consulting is still in its formative stages, and it may be years before practitioners in this field agree on what its ethics should be. But they're thinking hard about the issues. Most of the family-business consultants I know want to serve their clients with integrity and are sincere in their search for guidelines and tools that will help them do that.

PLANNING

Sibling Partnerships

By John L. Ward and Craig E. Aronoff

"After many years in business together, my brother and I finally realized that all we ever talked about was business," reflected a central Michigan auto-parts manufacturer. "We had long stopped doing other things together and taking a genuine interest in each other's personal life."

Then the business began to unravel. He and his brother began to disagree more and more about business issues, and as they did, they began to avoid each other. "Eventually," he said, "we were only able to have icy discussions on functional topics."

More than ever, family-business success and survival depend on good sibling relationships. About 50 percent of the owners of family firms in the United States expect that in the next generation, their businesses will be jointly owned and managed by two or more of their children.

Family partnerships can have great power. Many fathers have told their sons that "if you boys stick together, you can lick the world." But sticking together is easier said than done. Many family-business experts believe that shared family ownership almost inevitably fails.

Equal partnerships are fragile business structures. Ego, stress, disagreement, or perceived unequal effort can undermine the human relationships that sustain a business. We believe, however, that relationships among family-business partners most often fail from neglect.

Because they grew up together—in the same home, of the same parents—brothers and sisters often reason that their relationships with one another are secure. They take their bonds for granted. Like all other relationships, however, sibling relationships need continuous care and attention.

One family business we know is run by four brothers. Their father founded the business and retired without designating a successor. "You guys figure it out," he said. Such an attitude sometimes paves the way to disaster, but in this case, Dad's confidence was well placed. Before the brothers decided who would be president, they developed four principles to guide

their relationships and deliberations. These principles helped the brothers to define their responsibilities and have produced an 18-year partnership that has been productive, profitable, and satisfying.

Here are the principles:

- Give each other plenty of *space* at work.
- Spend lots of *time* together away from work.
- Regardless of title, each is an equal owner—major decisions require *consensus*.
- Focus on *what's best for the business*.

ILLUSTRATION: DAVID CHEN

Other sibling partnerships can benefit by following these guidelines. Let's look at each in greater detail:

Space. One set of brothers we know faced constant conflict at work. "I make a decision, and then Jack contradicts me," said one. The reply: "Well, you do the same thing to me." Each felt responsible for all aspects of the $20 million business. After clear lines of authority and responsibility were established and respected, conflict diminished significantly.

The successful sibling managers we know have a division of labor. One is "Mr. Outside," and the other is "Mr. Inside." Or each runs a different division or store, or each operates out of separate locations.

Just as important, they don't crowd each other's decision making. One sister says it this way: "We don't tread on each other's ego sanctuaries. We know where the other wants to feel expert and contribute; we respect that."

Time. Spending time together away from work deepens a relationship. Many sibling partners meet together once a week at a coffee shop and talk about family, sports, politics, and the like. Others share a regular common interest, such as golf or season tickets to the symphony or football games. These interactions take the edge off business differences.

Consensus. Most sibling partners we know have consciously decided to be equal partners. In decision making, they recognize that unless each partner agrees, it will be a problem.

They also agree to equal pay and perks. They reason that with equal ownership positions, any differences in pay, even if objectively determined, are trivial.

What's Best For The Business. The most important point of agreement is, of course, that the good of the business comes first. This enables siblings to better distinguish what is self-serving from what is best for all. Sibling partnerships work better if they set concrete business objectives and if they review their strategies and results with an outside board of directors.

Siblings in business together face several sensitive issues. What if one has a gripe? How do you evaluate each other's performance? What about the spouses' opinions? Successful partners suggest the following:

- Talk gripes out privately. Let your partners know how an issue makes you feel. We recommend "air-it-out" retreats once or twice a year to review relationships. Most important, don't complain to a third party.
- Speak positively of each other when talking to your spouses, and don't use them as outlets for complaints. Husbands and wives, unfortunately, hear gripes the most. After they have heard nothing but negatives, it's no wonder they begin to judge their spouses' partners harshly.
- Don't evaluate or judge each other. It almost guarantees defensiveness and hard feelings. What works better is to do self-appraisals and present them to each other or to the board. People usually set higher standards for themselves than others would set for them.

It seems so simple to respect each other's turf, to enjoy each other's company, and to agree to focus on what's best for the business. But what we've learned from sibling partners who are successful is that they work hard at nurturing their relationships—and cherish the results.

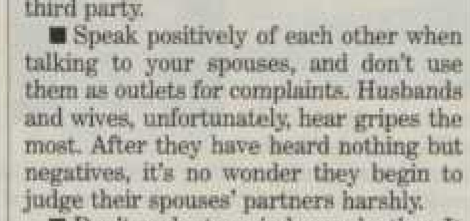


PHOTO: T. MICHAEL KEZA

John L. Ward is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

Feb. 9-11, Orlando, Fla.

A "Conference for Family Businesses" will be hosted by the Steel Service Center Institute, the American Supply Association, the National Building Materials Distribution Association, and the Industrial Distribution Association. Topics include competing against larger public companies, attracting and compensating nonfamily executives, and family liquidity and estate taxes. To be repeated Aug. 2-4 in Keystone, Colo. Contact Jim Collins, Steel Service Center Institute, 1600 Terminal Tower, Cleveland, Ohio 44113-2229; (216) 694-3634

Feb. 17, Phoenix, Ariz.

"Exploring Agricultural Opportunities," a seminar for absentee owners of family farms, includes such topics as marketing programs, estate planning through trusts, and creating a sound lease. For information, contact Farmers National Co., 11516 Nicholas St., Omaha, Neb. 68154; (402) 496-3276.

June 10-12, Cleveland

"Managing Succession Without Conflict" is a seminar to be conducted by nationally known family-business consultant Léon A. Danco. The program topics include understanding the business owner, creating a board of directors, business strategy, and techniques for transferring management and ownership. To be repeated Nov. 11-13. Contact the Center for Family Business, 5862 Mayfield Road, P.O. Box 24268, Cleveland, Ohio 44124; (216) 442-0800.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

CASE STUDY

A Nephew Takes Advantage

Ted Thomas has just blown his stack at his nephew, John Maple, for John's lack of attention to his responsibilities and for failing to follow company procedures.

John came to work at Thomas Distribution, the family hardware-distribution business founded by his now-deceased grandfather, right out of college two years ago. He has never really had any other job, and Ted believes John takes advantage of his family relationship.

John joined the company as a vice president—he never had to work his way up through the ranks. His father, Jerry Maple, who is married to Ted's older sister, Susan, is president of the business, while Ted is executive vice president. Ted owns half of Thomas Distribution, and Jerry and Susan own the other half.

ILLUSTRATION: DAVID CHEN

As usual, Jerry has come to his son's defense, insisting that Ted "has no business telling my son how he should act at work." It wouldn't be so bad if all three men didn't have their desks in one small office, where Ted is forced to observe John's loose conduct. John has frequently baited Uncle Ted just to antagonize him, knowing that his dad will always stand up for his son.

The friction between John and Ted is leading to a deterioration of Ted's relationship with Susan, who believes her son can do no wrong. Furthermore, the business is suffering because Ted can't be at his best when John is constantly under his skin.

What can Ted do to preserve his sanity, family harmony, and his own business future?

PHOTO: ©SCOTT GOLDSMITH

Seek Distance To Ease Friction

Robert B. Williams, family-business planning attorney with Eckert Seamans Cherin & Mellott, in Pittsburgh:

Ted is in a pressure cooker from which he cannot easily escape. As a start, however, he should have his office separated physically from the office where Jerry and John have their desks. This would at least allow Ted to concentrate on his duties and avoid his constant frustration with Jerry and Susan Maple's unwillingness to deal with their son in a constructive way.

It is too late now, but it would have been better if John had not assumed that he had a "right" to join the family business. He would have benefited from being forced to gain maturity by working elsewhere for a few years. His lack of discipline is a natural consequence of his parents' taking his side when he is wrong.

If the friction John has caused between his parents and Ted cannot be resolved by open communication between Ted and the Maples, Ted may want to consider proposing a sale of his interest in the business to Jerry, Susan, and John or a purchase of their interest.

If Jerry and Ted are nearing retirement, they may wish to explore the possibility of a complete sale of the business to a third party.

If the business can be divided—geographically or by product lines, for example—Ted might consider proposing a split whereby he would own or at least operate a part of the business and Jerry and John would own or operate a separate part. A physical or business separation on any basis would tend to release the pressure on both sides of the family and encourage renewal of the family and business relationships.

Instead of focusing on the friction that John's behavior creates, Ted and Jerry would be better able to appreciate each other's business skills and, with Susan, begin to restore their personal relationships with one another.

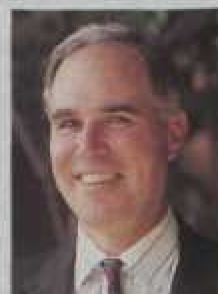


PHOTO: ©SCOTT GOLDSMITH

Focus On The Future, Not On John

James M. Dugan, CPA, partner, and family-business consultant with Dugan Miller & Guthrie, CPAs, in Pittsburgh:

I believe a great deal of the tension in this family business results from a lack of clearly defined roles. Even though Ted feels John is irresponsible and fails to follow company procedures, there are indications that an absence of well-defined responsibilities and procedures is one of the main problems. The tip-off is that all three are working out of one office.

The immediate question is: Who is planning the future of the business? Even though Jerry has the title of president, is anyone really directing the company? This is a second-generation business whose leaders should be considering its perpetuation into the third generation. Instead, Thomas Distribution is suffering—and not surprisingly so.

The company is probably still surviving on the grandfather's name; sales are most likely flat, and the actual market share is probably shrinking. Unless some changes are made, there may not be a business in five years. Ted should approach his brother-in-law and, rather than discuss nephew John, he should point out the need for planning.

Ted should suggest a business retreat—a planning session away from the office and the causes of irritation. A meeting room at a local hotel is fine. A full day should be scheduled, and the agenda should be expansive: Who are we? What is our business? What kind of company do we want to become?

The planning process itself is more important than the ultimate plan. If Ted can get Jerry to buy into the idea of planning, improvements will begin to take place—the first of which will be a clearer definition of the lines of authority and the responsibilities of the various players. This is also a situation where a few outside members on the board of directors could play a very important role. They would support the need for planning, and the "in your face" confrontations would be defused.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.

POLITICAL ACTION

Making PACs Work For Business

Through political-action committees, companies can help create a more pro-business atmosphere in state legislatures.

By David Warner

In the mid-1970s, organized labor "owned" the Louisiana Legislature, says Dick Schneider, vice president of political action for the Louisiana Association of Business and Industry (LABI). "Workers' compensation rates were extremely high, unemployment compensation benefits were out of this world," he says, and the whole business climate "was a mess."

In Michigan, the United Auto Workers had a similar stranglehold on the legislature in the 1970s and early 1980s, according to Robert LaBrant, vice president for political affairs of the Michigan State Chamber of Commerce.

Today there is a more pro-business atmosphere in both states because business became involved in the political process through political-action committees.

But business's battle for the hearts and minds of state legislators is far from over. Many statehouses are still controlled by lawmakers whose allegiances are to organized labor, teachers' organizations, or trial lawyers—the "Big Three" in state politics, according to many state political experts.

This coming November, voters in 44 states will be going to the polls to elect state lawmakers as well as national and local candidates. Four states—Louisiana, Mississippi, New Jersey, and Virginia—have legislative elections in odd-numbered years. Alabama and Maryland hold their next statewide elections in 1994.

Now is the time for business owners to help pro-business office seekers win those elections, according to Tim Sponsler, director of United for State Action. The organization, based in Washington, D.C., helps form state political-action committees to support pro-business candidates for state elective offices. And that means not only voting but also becoming involved in the political process.

"It has become increasingly clear that political involvement by business on the state level is a necessary management function," says Sponsler. "The people we elect to our state legislatures have a tremendous impact on the way we can conduct business."

Indeed, the battleground for social, economic, and environmental policies has expanded. Over the past 10 years, the fights over such policies have occurred at least as often in statehouses as on Capitol Hill. In 1991, for example, 35 states passed tax-law changes that increased the cost of doing business, according to the National Conference of State Legislatures (NCSL), in Denver.

Many states expect their fiscal difficulties to continue, according to NCSL. This year's legislative sessions could result in more tax increases and such mandates as additional health-care benefits and parental leave for workers.

Despite the increase in state-level legislative activity, business has been slow to recognize the importance of political involvement at that level or has been frustrated by a lack of opportunities to become involved, says Sponsler of United for State Action.

"Historically," says the Michigan chamber's LaBrant, "chambers of commerce [and other business associations] at the state and local level have been reluctant political players."

That changed in recent years with the formation of state political-action committees by state chambers of commerce, industry associations, and independent business groups.

Nearly every state now has a broad-based business political-action committee, Sponsler says, and business now realizes that its lobbying efforts are only as good as its ability to hold lawmakers accountable for their actions.

"Business has always had a legislative agenda," says Maryann Palestino Snyder, director of political affairs for the Indiana Business Political Action Committee, an affiliate of the Indiana Chamber of Commerce. "What we've recognized is that the political activity and the political-action program are really extensions of implementing that legislative agenda."

Still, given a choice, it's likely that most business owners would rather face an Internal Revenue Service audit than deal with politics and politicians, says one political pundit.

With state lawmakers increasingly championing legislation that affects business's bottom line, however, business people may not have a choice other than to get involved in politics.

LABI's Vice President Schneider puts it simply: "Get into politics or get out of business."

That was the conclusion reached by Louisiana business people in the mid-1970s, he says. Labor's lock on the legislature prompted business owners—"people who didn't normally talk to each other"—to band together to change the

PHOTO: KATHY ANDERSON

In Baton Rouge, *Dick Schneider, right, of the Lousiana Association of Business and Industry, talks politics with businessman Jensen Holliday, chairman of LABI's East Pac.*

PHOTO: EDWIE REPP

Indiana Business PAC *Senior Vice President Ernie Williams answers questions at an Indianapolis seminar on campaigns and elections.*

situation through the political process, Schneider explains.

Although it took 14 years, those efforts were successful, as LABI's four PACs helped loosen labor's grip on the statehouse. Business now has nearly 100 "friends"—lawmakers who vote with the business position at least 70 percent of the time—among the state's 144 legislators, according to Schneider.

In session after session at the Michigan state capitol, says LaBrant, business was frustrated by its lack of "the political clout of the UAW and other interest groups." The Michigan State Chamber PAC and a network of more than 50 local chamber PACs were formed in the late 1970s and early 1980s to "change the complexion of the Michigan Legislature," he says.

In 1983, after two state senators were recalled for their support of a huge tax hike—the first successful recall in Michigan history—the chamber PAC network raised more than $20,000 for pro-business candidates for the vacancies. Both won, and for the first time in over a decade, control shifted to pro-business lawmakers in the Michigan Senate.

The Indiana Business PAC has had similar successes in the Indiana General Assembly, according to Ernie Williams, senior vice president of IBPAC. The Indiana PAC, which was formed in 1985, was "heavily" involved in several state races in 1990, says Williams, and is credited with helping unseat three anti-business incumbents.

Political successes such as those in Indiana, Michigan, and Louisiana have earned credibility for business among state legislators. After the Michigan chambers' 1983 victories and a special-election win the previous year, LaBrant says, lawmakers "recognized that there was more than just the UAW in Michigan politics. We have not had a major piece of anti-business legislation pass the Michigan Legislature" in the years since.

In addition to giving business political clout, PACs provide vital political information, through vote records and candidate forums, and they serve as conduits between candidates and business people who want to do more than just make a campaign contribution.

"For a business person to decide to become involved in politics, that's a very difficult decision," says Williams. "That's where the business PAC must play a role. It must give the business person many levels of involvement, including working on a campaign. Business PACs need to be more than just organizations that collect money and write [campaign] checks."

Although business has made political inroads at the state level, it has some catching up to do, says Bernadette Budde, vice president for political education of the Business-Industry Political Action Committee. BIPAC, based in Washington, D.C., includes United for State Action, and it focuses on federal elections.

Not only have organized labor, teachers' unions, and trial lawyers been at the state political-action game longer, but they also have been more willing than business to campaign for their candidates, conduct polls, and put big dollars into state-level races, which are becoming more expensive and more sophisticated.

"Labor and the teachers and the trial lawyers have had it over the business community because of their willingness to fund and maintain a [political] structure whether there was something—a legislator or legislation—involved in their livelihood or not; they were always active politically," says Budde.

While business contributes a great deal to state legislative campaigns, until recently it lacked the "unity of purpose" that has characterized organized-labor and teachers' association PACs, says Michigan's LaBrant, an expert on PACs. Many of the first business PACs were "access-oriented," he says, explaining that they supported exclusively incumbents regardless of those incumbents' voting records on business issues.

Other past political mistakes by business have included contributing to both candidates in a race and supporting a candidate in a district in which he or she had no chance of winning, says the Indiana Business PAC's Snyder.

However, it seems that business at the state level has finally taken to heart the words written in August 1971 by Lewis F. Powell Jr.—the Richmond, Va., attorney who would later be named to the U.S. Supreme Court—in The Powell Memorandum, which became a charter for business activism:

"Business must learn the lesson, long ago learned by labor and other self-interest groups. This is the lesson that political power is necessary; that . . . it must be used aggressively . . . and without the reluctance which has been so characteristic of American business." ■

For More Information On Business PACs

For the name and location of the business political-action committee in your state, call United for State Action (USA), in Washington, D.C., at (202) 833-1880.

USA is a nonpartisan program of the Political Education Council of the Business-Industry Political Action Committee, a Washington, D.C., organization that focuses on congressional elections.

USA's mission, says Director Tim Sponsler, is to motivate and provide information to the business community to become politically active on behalf of pro-business candidates for state legislatures.

The organization serves as a clearinghouse for state-level political information. USA's directory of state business PACs provides a brief overview of the services offered by each PAC. It also contains a synopsis of each state's campaign-finance laws.

To order the directory, send a check for $40, payable to Political Education Council, to BIPAC-USA, 1747 Pennsylvania Ave., N.W., Suite 250, Washington, D.C. 20006.

The U.S. Chamber of Commerce's National Chamber Alliance for Politics also focuses on congressional elections and works closely with the Business-Industry PAC.

For more information about the U.S. Chamber PAC, call (202) 463-5600.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Phyllis M. Barrier

What Good Nutrition Can Mean For Men

Five of the 10 leading causes of death and disease are associated with what we eat, and men have been especially vulnerable to such diet-related killers as heart disease, stroke, and colon cancer. Even so, men have typically shown less concern than women about their diets. Now, though, many men are starting to realize that what they eat can directly affect their health and performance—at home, at work, and on the playing field.

Nolan Ryan, the 44-year-old pitcher for the Texas Rangers, made history in the 1991 baseball season by pitching his seventh career no-hitter. Ryan is keenly aware of how diet affects performance. "The aging process hasn't affected me as much as it has some other players," he said a few months ago concerning his exceptionally long career in professional sports. "I pay very close attention to my diet and feel it's one of the factors that has lent to my longevity."

As Ryan says, "The older you get, [the more] your metabolism slows down, and it's harder to lose weight and maintain your weight—so you have to pay particular attention to your diet."

What goes for athletes applies to business people, too. Mark Gallivan, 40, of Laurel, Md., a regional sales manager for a large corporation, says good nutrition at home helps him keep up his stamina when he's working long hours and spending days at a time on the road.

"The well-balanced meals we have at home make the difference," he says. "We eat a wide variety of foods representing the four food groups and emphasizing low-fat choices. There's the added incentive of knowing that our meals set a good example for our 8-year-old daughter, Megan." When he travels, Gallivan tries to order meals that follow the same principles he follows at home.

Gallivan does enjoy one advantage that many men don't: His wife, Joanne, is a registered dietitian. But it's not unusual for men to show an increasing concern for good nutrition as they enter their middle years, and it seems likely that nutrition awareness will grow as the baby boomers age. The problem is to match that growing awareness with useful knowledge about which steps really make sense in dietary terms.

The American Dietetic Association (ADA), the world's largest group of food and nutrition professionals, says that men's concern about nutrition peaks in their 50s and early 60s. A recent ADA study of 500 men ages 18 and older found that 80 percent of men between 50 and 64 said they viewed nutrition as a "top priority," compared with only 58 percent of the younger men surveyed.

PHOTO: MICHAEL KELLER—UNIPHOTO

Younger men *may pay less attention to nutrition than they should.*

Forty-four percent of all the men surveyed cited health maintenance and disease prevention as the most important reasons for eating right. Twenty percent listed physical fitness, and 12 percent stressed weight control. Only small percentages mentioned immediate benefits—improved energy and mental alertness, or better performance and productivity—as key reasons for eating right.

"If men tie nutrition primarily to long-term health and disease prevention, it's not surprising that older men place greater emphasis on healthy eating habits than younger men," says Mary Abbott Hess, president of ADA. "A man in his 20s doesn't want to think about his risk of having a heart attack someday."

If a good diet's benefits seem to exist only in the longer term, a young man may be tempted to put off making changes in what he eats. Although the vast majority (82 percent) of all men surveyed said they were at least "fairly" concerned about nutrition, just over half reported altering their diets as a result of their concern.

A younger man might decide to pay more attention to his diet, Hess says, "if he knows it can affect his productivity, stamina, mental and physical fitness today," not just in what may seem like the distant future.

Another obstacle to improved diets may be that many men think that eating better involves mainly giving up things. Of those men in the survey who had made changes in their diets, the largest group (30 percent) said they were reducing their intake of fat or cholesterol. "When men choose to change their diets, most eat less of what they perceive as harmful, rather than more of something healthful," Hess says. "The survey shows only 8 percent said they're eating more vegetables, and only 4 percent mentioned more fruit."

That lack of positive action may reflect a shortage of information—men may not be sure of what they should do. Although men ages 50 to 64 expressed the most concern about nutrition, they were the least likely to express confidence in their nutrition knowledge compared with women's. Only one-quarter of this group said they were more informed about nutrition than the "most significant women in their lives," while 45 percent of those 18 to 24 who were surveyed said they knew more than women.

But help is available. *Food Strategies For Men,* a pamphlet published by the ADA, contains practical suggestions for lifestyle changes that can lead to better eating habits, maximized stamina, and improved long-term health. In this pamphlet, the ADA recommends that men eat moderate amounts of a variety of foods, including those that are low in cholesterol, fat, sugar, and sodium, and high in fiber.

For a free copy of the pamphlet, send a self-addressed business envelope to the American Dietetic Association, c/o Lee Enterprises, P.O. Box 1068, Department LM20, South Holland, Ill. 60473. NB

Phyllis M. Barrier, M.S., a registered dietitian, is a nutrition consultant and the nutrition coordinator for a Washington, D.C.-area health-maintenance organization.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

LODGING

Beginning A B&B

What goes into starting a successful bed-and-breakfast inn?
G.T., New York City

Good planning is essential, says Pat Hardy, executive director of the Professional Association of Innkeepers International.

Hardy suggests that you read as many books as possible on starting a small business because they can help you plan your enterprise more realistically. "It is lack of planning that will put you under," she says.

In addition, you should choose the B&B's location carefully, she says: "This is where you are going to *live*, so you'd better like the location."

Hardy is the author of *So You Want to Be an Innkeeper* (Chronicle, $12.95), which covers aspects of starting a bed-and-breakfast.

Hardy's organization offers aspiring innkeepers a free packet of information and resources, a copy of the group's monthly newsletter, and a compatibility test. The test is designed to determine if your financial, personal, and professional interests and needs indicate that you could be successful in running a bed-and-breakfast.

To contact Hardy or to obtain more information from the organization, write or call the Professional Association of Innkeepers International, P.O. Box 80710, Santa Barbara, Calif. 93190; (805) 569-1853.

INTERNATIONAL TRADE

Overseas Expansion

Is there an information source within the federal government that can provide help to businesses that are interested in overseas expansion?
B.B., Los Angeles

The U.S. Department of Commerce offers free information on exporting through its Trade Information Center, based in Washington, D.C.

The center can give you information on federal export-assistance programs, overseas markets, forthcoming trade-promotion events, and various sources of financing for export enterprises.

It can also refer you to local sources of export counseling, including the Commerce Department's district office nearest you.

For further information, you can call the Trade Information Center at 1-800-872-8723.

BUSINESS START-UPS

Looking Into Incubators

I am interested in obtaining a list of the business incubators established in the United States.
B.K., Geneva, Switzerland

The National Business Incubation Association publishes a directory that lists the approximately 450 small-business incubators in the United States and Canada.

Although the directory is available only to members of the association, Dinah Adkins, executive director of the association, can tell you the locations of the incubators that may be most helpful to you as well as other information on small-business incubators that you may find useful. The fee for joining the association would be $75 to $275, depending on membership category.

Write or call Adkins at the National Business Incubation Association at One President St., Athens, Ohio 45701; (614) 593-4331.

REGULATION

Disabilities Law

We have read that the Americans with Disabilities Act does not cover religious institutions, but our local authorities have informed our church that we must comply with these new regulations. Is this correct?
J.B., Columbus, Ga.

The Americans with Disabilities Act requires compliance in public accommodations and in employment. Many of its rules take effect Jan. 26.

According to the law, "a religious organization, including a place of worship," is exempt from requirements of the public-accommodations section.

Thus, says Nancy Fulco, a labor-law attorney with the U.S. Chamber of Commerce, "if your question is, do we have to make our church accessible to the congregation or any visitors that are going to come to our place of worship, the answer is no.

"For purposes of public accommodation, it appears clear on the face of the law that a church has no legal obligations to make these changes."

For purposes of employment, however, churches are not exempt, says Fulco. "You are required to comply with the law as far as employment is concerned," she says, "although you can require any employee or prospective employee to comply with, or adhere to, the basic tenets of the religion or church."

You can obtain more information on the disabilities law by contacting the Equal Employment Opportunity Commission, 1801 L Street, N.W., Washington, D.C. 20507; (202) 663-4900.

See also the story on access for the disabled in the December *Nation's Business*, Page 36.

RETAILING

Chain-Store Directories

We have several new consumer products we would like to introduce through supermarket and department-store chains. Is there a directory listing the headquarters of all major chains?
H.G.F., Green Bay, Wis.

CSG [Chain Store Guide] Information Services publishes 22 directories that offer market data and company profiles of retailers in mass merchandising, food services, and specialty stores.

The *Department Stores* directory contains profiles of 650 department-store companies in the U.S., along with information on each company's sales volume, where it does business, and the names and titles of executives and of purchasing and administrative personnel. The directory costs $239.

The *Supermarket, Grocery and Convenience Store Chains* directory lists more than 1,400 supermarket and grocery store chains and gives names and titles of key executives as well as purchasing and administrative personnel. The price is $279.

To order or to obtain more information or a copy of the publications list, write or call Marian Nelson, a sales assistant at CSG Information Services, Chain Store Guide, 3822 Coconut Palm Drive, Tampa, Fla. 33619; (813) 664-6819.

MEDICAL EQUIPMENT

Surgical Supplies

Where can I get information on surgical-equipment suppliers?
L.M., Brooklyn, N.Y.
(Similar question from J.R., Atlanta)

The annual *Med Tech Directory* lists more than 1,000 domestic and foreign suppliers to the health-care industry, including surgical-equipment suppliers. The companies are indexed by product or service, location, and company name.

The directory is available for $350—payable by check or money order—from Med Tech Services, Inc., D.H. Blair and Co., 44 Wall St., New York, N.Y. 10005; (212) 495-4000.

The *Physicians and Surgeons Equipment and Supplies Directory,* $235, and the *Surgical Appliances Directory,* $145, list national medical-equipment suppliers alphabetically by name.

Each entry also contains the company's address, product specialty, phone and fax numbers, and the name of a contact person.

Both directories may be charged to a major credit card.

To order, or for more information, write or call American Business Directories, Inc., 5711 S. 86th Circle, P.O. Box 27347, Omaha, Neb. 68127; (402) 593-4600.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business,* 1615 H Street, N.W., Washington, D.C. 20062.

Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide,* which contains answers to the questions we are asked most frequently. The booklet is now available for $5.95 a copy (plus $1 for handling).

To order, send a check or money order to the Circulation Department at the address above.

QUESTION OF THE MONTH

Instant Data From Bar Codes

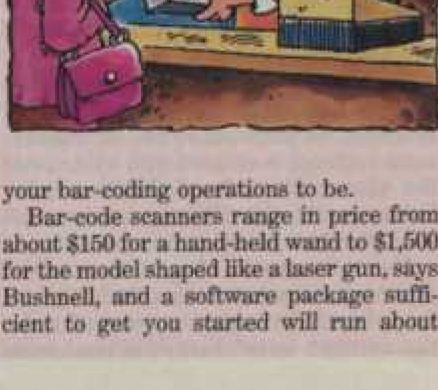
Retail technology is capturing the interest of a number of Direct Line readers, and many are asking whether and how they could improve their store operations through the use of bar-code technology.

"Bar coding can help them track inventory, streamline order entry, and manage product pricing more efficiently," says Richard Bushnell, administrator of the Industry Bar Code Alliance, an educational and consulting group in Chalfont, Pa.

Basically, a bar-code system includes the bar codes—the printed patterns of lines, spaces, and numbers that are placed on merchandise by the manufacturer—as well as the equipment for scanning the bar codes and the computer software that translates the codes into data that can be used for purposes such as tracking inventory.

All bar codes are based on the Universal Product Code (UPC), the standard for the industry, says Bushnell. A bar code's first six digits identify the manufacturer; they are called the product identification number. The last five digits are assigned specifically to the product by the manufacturer. The lines above the numbers are computer language for the 11 digits.

To install a bar-code system in your business, says Bushnell, you will need an electronic cash register that has the capacity of a personal computer, meaning its software enables it to translate the bar-code information. An electronic cash register costs $2,000 to $5,000, he says, depending on how sophisticated you want your bar-coding operations to be.



Bar-code scanners range in price from about $150 for a hand-held wand to $1,500 for the model shaped like a laser gun, says Bushnell, and a software package sufficient to get you started will run about $1,000. More-complex software can cost as much as $15,000.

For help in locating manufacturers of bar-code equipment, contact Automatic Identification Manufacturers Inc., a trade group, at 634 Alpha Drive, Pittsburgh, Pa. 15238-2802; (412) 963-8588. The organization offers a free list of 163 manufacturers in its *SourceBook* directory.

General information on bar coding is available in *Getting Started With Bar Codes,* by Richard Bushnell and Richard Meyers (Bushnell Consulting Group). The 249-page book sells for $89 and is available from the publisher at 24 Far View Road, Chalfont, Pa. 18914; (215) 822-6880. Checks and credit cards are accepted.

For general start-up information, contact Bushnell at the Industry Bar Code Alliance, which is also at 24 Far View Road, Chalfont, Pa. 18914. The phone number is 1-800-669-2633.

Another free source of information on setting up a bar-code system is available by sending a written request for the Bar Code Packet to Helmers Publishing Inc., Customer Service, 174 Concord St., Peterborough, N.H. 03458-0874. The information packet contains a copy of *ID Systems,* a monthly magazine on the bar-code industry, a list of how-to books on bar coding, and a directory of equipment manufacturers.

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

RENTAL PROPERTY

Plan Ahead Before Putting Your House Up For Rent

Most homeowners who want to sell their homes these days aren't having much luck. Pending a sale, some may have to rent to cover mortgage payments and maintenance costs. And even then, the home might have to be sold at a loss. But valuable tax breaks are available to sellers who plan carefully.


PHOTO: ARENE SHERET—FOLIO, INC.

Although rental income is taxable, the property owner can deduct mortgage interest and real-estate taxes. Such expenses as depreciation, repairs, insurance, maintenance, and utilities can also be deducted, but if they—plus interest and taxes—exceed rental income, the expenses generally cannot be deducted against other investment or earned income.

If, however, the home is "converted" to an investment property, rental losses can be used to offset other income, subject to certain limits.

But a homeowner cannot have it both ways. If property has appreciated and the homeowner expects to sell it later at a profit, the homeowner could lose the benefit of the tax-free rollover provision, or the $125,000 exclusion for taxpayers over 55, if the home is converted.

On the other hand, if the homeowner anticipates a loss on the final sale, a conversion might be worthwhile.

Calculating gain or loss may be tricky. If a homeowner deferred gain on a previous sale of a residence, the tax basis of the new residence is the same as the cost of the original home purchased, not the cost of the latest home.

If a gain is anticipated, the rollover provision generally allows the homeowner to defer the gain if another home is bought within 24 months of the sale, and if the cost of the new house at least equals the selling price of the old house.

There also is an alternative exclusion if you are over 55. It is a one-time $125,000 exclusion that applies even if you don't buy another home.

Keep in mind that the home must be a principal residence and not investment property. The homeowner must be able to prove that the rental activity is only "temporary."

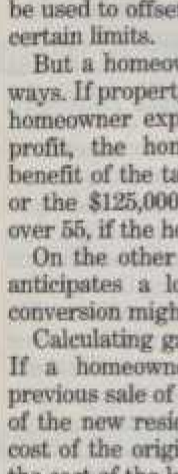
There are no clear guidelines. Rental on a month-to-month basis should qualify. A lease that runs one year or less may support a temporary rental. The homeowner also should be able to prove that he or she made attempts to sell the home, both before it was put up for rental and during the rental period.

If the home is expected to sell at a loss, that loss is normally not deductible. However, if the home is converted to an investment property through a long-term rental, and if no attempt is made to sell it, the loss should be deductible. In addition, as noted above, deductions in excess of rental income also should then be allowable.

It is important at the outset to calculate correctly whether a gain or loss can be expected.

If you expect a gain, you will usually want to show that the rental is "temporary."

If, on the other hand, you expect a loss, you will likely want to demonstrate that the rental is "permanent." If you do, you should be able to take advantage of the available tax breaks. ■



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

BUSINESS OWNERSHIP

An Improved Tax Status For S Corporations

Last February, in this column, we wrote about some serious problems for S corporations as a result of proposed Internal Revenue Service regulations. Because the S corporation is the type of business structure favored by many small firms, small-business groups have been especially concerned about the proposed rules, which would have made it harder for small firms to maintain their S status.

An S corporation is allowed to have only one class of stock—that is, all outstanding shares of stock have to confer identical rights to distribution and liquidation proceeds.

Under the proposed regulations, almost any business arrangement such as commercial contracts, leases, employment agreements, or loan agreements could have had an effect on the rights of shareholders.

For example, suppose an S corporation has two shareholders, each owning 100 shares of its common stock. An employment contract is entered into with one of the shareholders for $125,000 a year. Subsequently, the IRS determines that $25,000 of that salary is "unreasonable."

Not only would the "unreasonable" portion be disallowed as a deduction by the Internal Revenue Service, but under the agency's rules, that individual could be considered to have received a nonidentical distribution of $25,000 on his stock, thereby creating a second class of stock that disqualified the corporation from S treatment.

The IRS now has relented. Under its newly issued proposed regulations, consideration will be given only to the corporate charter, articles of incorporation, by-laws, applicable state law, and binding agreements that specifically relate to distribution and liquidation.

This is a more flexible approach. Under the proposal, as long as the employment contract in the example above was not entered into to "circumvent" the one-class-of-stock requirement, the corporation's S status would be preserved.

Buy-sell agreements, fringe benefits, deferred-compensation arrangements, and stock options will no longer seriously jeopardize a corporation's S status.

The proposed regulations also will lessen the risk that a loan by a shareholder to the corporation could be considered as equity and, therefore, as a second class of stock.

In addition, the IRS will now allow relief in appropriate circumstances where S status has been inadvertently terminated.

While these proposed regulations have yet to be finalized, they are a giant step in the right direction and, with some fine-tuning, will likely be adopted as final. NB

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

FAMILY FINANCES

Auto-Insurance Discounts For Young Drivers

Any parent of teenagers knows what happens when they start to drive. Insurance premiums for the young driver take a sudden jump—increasing as much as 60 to 100 percent.

"As soon as they get a license, they want to start driving," says Harvey Seymour, spokesman for the Insurance Information Institute in New York. Seymour has gone through the ordeal with his own children.

"One way to keep the rate down," he says, "is to have the young driver limited to the use of one of the family cars."

If the young driver has his or her own car, Seymour adds, "you have to pay a lot more."

This "occasional driver" limit can put the youngster in a lower rate classification and do much to keep costs down.

In addition, parents should be aware of three young-driver discounts that are available from a number of insurance companies:

■ Good-student discount. If your teenager gets a B average or better, some companies will knock the elevated premium down by as much as 25 percent (except in Michigan). Insurance companies figure that if you're hitting the books, you're probably not out driving a lot—and thus not exposing yourself to the risk of having an accident.

■ Driver-education discount. Most schools offer driver education as a special course. If your student passes the test, be sure to mention it to your insurer. It could give you an extra 10 percent off.

■ Student-away discount. If your young driver goes away to college or prep school and doesn't take a car along, you can get anywhere from 10 percent to 40 percent off the increased premium, as long as the school is at least 100 miles from home. Moreover, the discount runs through the entire year, not just during the months in which the student is away at school. ■

Those high premiums *for young drivers can drop if your child attends school at least 100 miles away from the car.*

INVESTING

Take A Look At A LEAP Before You Invest

Let's say you really like a blue-chip stock that's trading at $50 a share, and you want to buy 500 shares for the long term. But that would require coming up with $25,000—more cash than you want to part with right now.

What you could do instead is purchase some LEAPS—or "Long-term Equity AnticiPation Securities"—which would give you investment rights to the stock without having to come up with the entire $25,000. LEAPS are "call" options that run for one to two years, compared with the traditional call options that expire in just a few months.

Short-term options are risky because you're betting that a stock's price will rise in just a short span of time. Volatility in the market could wipe you out. But betting that a stock will rise over a period of one or two years is another matter.

"Buying LEAPS is really more conservative than actually buying the stock," says James Emerson, spokesman for the Chicago Board Options Exchange. "When you buy the stock for the long term," he explains, "you have much more money at risk. With a LEAPS option, your losses are limited."

Here's how a LEAPS option works:

XYZ is trading at 50½. Five LEAPS options for 100 shares apiece, at $8.50 a share, will carry you to a maturity date two years hence, at a total cost of $4,250. These particular options have a "strike" price of $50, which means you will have the right, in two years, to buy the stock at $50 a share no matter how high it goes.

Let's say, optimistically, that after two years your stock is trading at $65 a share. You can exercise the five LEAPS options and take delivery of the stock by paying only $50 a share. But because you still would have to come up with $25,000, you choose instead to sell your LEAPS options for a profit. In this case, you could get around $15 a share.

The sale of the LEAPS options would bring in $7,500, less the $4,250 you paid, giving you a profit of $3,250—a 76 percent gain in two years.

Of course, if your stock did not rise above $50 a share in two years, you would be out $4,250. But if the stock ended up below $50 a share, you might have lost more by owning it outright.

"LEAPS are actively traded in blue-chip stocks on all the major exchanges," Emerson says, "and most brokers sell them." You can receive a free booklet on LEAPS, which is published by the Chicago Board Options Exchange, by calling 1-800-OPTIONS.

Peter Weaver is a Washington-based columnist on personal finance.

CORRECTION

Travel-Advisory Phone Number

In this column last month, the item on foreign travel listed an incorrect phone number for the State Department's advisory on conditions abroad that could affect U.S. travelers. The number for the continuously updated recording is (202) 647-5225. NB

Franchising Update

On the horizon: expansion with a global view, niche marketing on the menu, and attention from Congress.

By Meg Whittemore

An International Touch In Expansion Plans

The number of domestic franchisors who are planning to expand their operations by opening locations overseas is on the increase, according to Bob Jones, director of international affairs for the International Franchise Association, a trade group based in Washington, D.C.

"For the most part, the domestic [franchise] market is pretty mature in most industry segments," Jones says, and thus competition within the United States is increasing.

At the same time, franchise regulations in some countries overseas are more lenient.

Together, these two circumstances are enticing many U.S. franchisors to expand their franchise systems onto foreign soil.

Jones says that 480 of the approximately 2,400 franchise companies in the U.S. have international operations and that 940 more plan to enter foreign markets within the next five years.

According to Jones, the most developed markets—those with the most franchises in place—are Canada, England, France, and Japan.

In all other countries, he says, "the market is pretty wide open, because there is little franchise competition." Jones cites Spain, Mexico, Taiwan, Thailand, Indonesia, and Singapore as the hot growth markets for franchisors.

Nonetheless, a wide-open foreign market is not necessarily an easy market for a U.S. franchisor. As with any business expansion, opening a location in another country requires preparation.

"Franchisors expanding overseas must sensitize themselves to the demography, economy, culture, and legal climate of the host country," says Philip Zeidman, a Washington, D.C., attorney specializing in international franchise law.

The U.S. Agency for International Development, which administers U.S. economic and humanitarian assistance in more than 80 developing nations, has a $20 million program designed to help American franchise companies set up operations in countries where the agency makes loans.

The agency's Franchising Guarantee Program is designed to help franchisors and financial institutions obtain the capital necessary to establish franchises in developing countries.

For more information, contact Stephen Eastham, director of the agency's Office of Investment, Bureau for Private Enterprise, Room 3208-NS, U.S. Agency for International Development, Washington, D.C. 20523-0086; (202) 647-9842.

NOT JUST #1
BUT #1 FOR FIVE YEARS

There is only one thing better than being number one and that's staying number one. Since 1987, Jani-King has been the top commercial cleaning franchisor, according to *Entrepreneur* magazine's Annual Franchise 500, and continues to flourish in this fast-paced market.

In addition to *Entrepreneur*, Jani-King has been recognized by others as leaders in the franchising world. *Success* named Jani-King number seven in their 1991 "Gold 100" ranking and *Money* magazine rates Jani-King as one of the "10 top for the '90's".

Although you can start a Jani-King franchise for as little as $6,500, you are not limited to owning a small business. Our unique program customizes your franchise to suit you - meaning you can be as big as you want! Whether you want to start part-time or full-time, the time has never been better to invest in your future with a Jani-King franchise.

CALL NOW! Jani King
(800) 552-5264

©Jani-King International, Inc. 1992

Circle No. 44 on Reader Service Card

The Great American Dream House — Models As Low As $25,000

Earn a top living as an Eagle's Nest Homes representative — and live in luxury in a stunning model home.

Models as low as $17 per sq. ft.
- Interior and exterior design flexibility
- Remarkably energy-efficient
- Cathedral ceilings and exterior decks
- Built-in, expandable Home Computer Center
- FHA and VA accepted

Unlimited Income Potential

As an Eagle's Nest Homes representative, you have *unlimited income potential* in a defined territory. And the *only* qualification you need is the ability to purchase or mortgage a $25,000 model which may be finished as a home to live in, or sell, or completed as an office, condo, duplex, or other commercial enterprise.

Call Mr. Nations collect (404) 479-9700

Eagle's Nest Homes
RR 14-Box 24
Canton, GA 30114-9312

Circle No. 7 on Reader Service Card

The Ideal Part Time Business!
Run Your Own
Professional Billing Service

- Excellent Income $500-$5,000 monthly
- Booming industry serving small business clients
- Home- or office-based
- No fees or royalties

$289 for complete set-up includes: detailed plans for marketing and operations, software, and ongoing support!

BlueJay Systems

Call (813) 365-3357
2579 Clematis St., Sarasota, FL 34239

Catering To Changing Appetites

One of franchising's strengths is its ability to discover and fill a market niche. Serving a market niche, franchise experts say, means producing narrowly defined products and services and selling them to customers where they live, work, and travel.

"Franchising has the ability to zero in on an emerging trend and quickly provide customers with what they want," says Joseph Simone, a small-business consultant in Washington, D.C. Most businesses react to consumer trends after they have become established, he says, but "franchising meets the trends as they form."

One entrepreneur who was quick to give consumers what they wanted is fast-food franchisor Thomas Burnham. He noticed that in a recent survey by the National Restaurant Association, pizza—America's favorite ethnic food for a decade—had been replaced by Chinese food as consumers' top choice. So Burnham opened Ho-Lee-Chow, a Canadian-based Chinese fast-food franchise.

When he started his franchise in the United States, Burnham borrowed liberally from the franchising experience he had gained as an executive vice president of Domino's Pizza. "Our operation incorporates the technology, science, and management philosophy that put Domino's on the franchise map," he says.

PHOTO: USANTA FABIO—BLACK STAR

Franchisor *Thomas Burnham makes Chinese cooking a "fast-food event."*

Headquartered in Ann Arbor, Mich., Ho-Lee-Chow offers 75 authentic, freshly cooked Hong Kong recipes at each of its 10 franchised locations. The menu items range from $1 for an egg roll to $48.95 for a seven-course dinner for six. "It is very difficult to have a serious Chinese menu and make it a fast-food event," he says, explaining that Chinese cooking "is a scientific process."

Part of the science was to remove the manufacturing element from the stores. The ingredients are chopped and cut off-site at a central distributor and are delivered to the franchise stores ready to be cooked and assembled.

Burnham developed proprietary recipes for "mother" sauces, spices, and batters that are the bases for all the dishes. Spice packets are added at the franchise to create the individual flavors for the different menu items.

A Ho-Lee-Chow franchisee invests $200,000 to become a member of what Burnham calls his "franchise family." Capital improvements and equipment account for most of the sum.

Burnham insists on intensive training in four areas for his franchisees: customer service, product quality, minimizing workers' movements behind the counter—"We want to live up to the term 'fast food,'" he says—and financial management.

Burnham gives his franchisees guaranteed delivery territories—generally encompassing about 20,000 households within a 10-minute drive of the franchise. "No one else can deliver into that area, and the franchisee can't deliver out of that area," he says. That way, "our franchisees are protected against internal competition."

Burnham prefers franchisees who have "big-business experience but who do not

ONLY $499
To Start Your Own Business
PROFIT POTENTIAL: $850 / week & up
EVER SLIP OR FALL?
So Have Millions of Others!
CASH IN on this multi-million dollar business
If you qualify, you can own a Saf-T-Grip Dealership for only $499
BE SAFE WITH
Saf-T-Grip™
NO EXPERIENCE NECESSARY
Saf-T-Grip is a revolutionary new floor treatment that greatly reduces slip and fall accidents by increasing the friction of a wet surface. Our products are needed in every home and commercial building in the U.S., and with a **Saf-T-Grip** Dealership *you* can share in the profits.
CALL NOW for a FREE mail-out booklet
1-800-2-SAF-T-GRIP
1-800-272-3847
Ext. 237
or write to: RYKO Inc. 39863 Grand River Ave., Suite 93 • Novi, MI 48375

STAMPS UPS
SIGN OF THE TIMES
Corporate Downsizing
Industry Layoffs
Recession Cutbacks

- Industry leader - over 1,400 centers in U.S., Japan, Mexico & Canada.
- Low start up costs; minimum cash investment $45,000 (depending on location). Up to 70% financing available for qualified buyers.
- Complete training & support.

Follow the signs and follow the leader to financial growth with the world's largest network of franchised postal, business and communication service centers.
MBE MAIL BOXES ETC.
For franchise info, call: 1-800-456-0414
5555 Oberlin Drive • San Diego • CA • 92121
Offering by prospectus only
COPIES FAX
Circle No. 50 on Reader Service Card


Personalized Children's Books
• Build A Business Of Your Own
• Work From Home Or On Location
• Make Personalized Children's Books
• Superb Quality – Unbeatable Price
Introductory Offer!
For Information Kit Call:
(214) 357-6800
Best Personalized Books®
Personalized Children's Books
3107 Chapel Downs • Dallas, TX 75229
Circle No. 51 on Reader Service Card

know how to manage a retail operation," he says, though they must be able to learn. He prefers that franchisees start with no preconceived notions about running a retail store. Burnham likes to train them in his retailing philosophy rather than modify whatever retail experience they bring to the business.

Reaching Out To Untapped Sources Of Franchisees

Ask a group of franchisors to name the most important challenge to their growth, and chances are they'll say it is finding qualified candidates to operate their franchises.

As a result, some franchisors are rolling out programs that target previously untapped sources of potential franchisees—namely blacks, Hispanics, Asians, and other minority groups.

These so-called segmented population groups are on the minds of franchisors because franchising tends to follow population growth, says John Reynolds, vice president of marketing for the International Franchise Association. "By broadening their candidate pool, franchisors are able to target vital areas such as the Pacific Coast, Florida, and Texas, where minority populations are surging," he says.

James Shallcross, vice president of franchising for General Nutrition Corp. (GNC), says minority-group members make up a large part of the company's current and future growth. "We find that minority franchisees are generally more enthusiastic about the opportunity afforded them," he says. "They are hardworking, eager to succeed, and more willing to give the extra effort needed to be a winner."

GNC is a vitamin, health-food, and nutritional-products franchise based in Pittsburgh. Approximately 45 percent of the company's 1,126 franchises are operated by minorities.

GNC reaches its pool of minority candidates through a mixture of approaches, including advertising, public relations, and various franchising seminars throughout the country.

Thomas Ward, vice president of Management 2000, a franchised international consulting firm based in Houston, predicts that stepped-up efforts by franchisors to reach minorities will result in a 7 percent increase in franchises owned by black franchisees in 1992, or about 340 additional franchises.

"Those companies that can stay abreast of changes in demographics and use them to their advantage should be able to sustain growth," says Ward.

Congress May Consider Regulating Sales Of Franchises

Legislation calling for strict federal regulation of franchisor-franchisee dealings is expected to be introduced in Congress in 1992. Currently, most states regulate the sales of franchises. Although there is a broad Federal Trade Commission ruling that governs what a franchisor is legally obligated to include in the franchise offering circular, enforcement of those requirements falls largely to the states.

The expected new federal legislation would be an outgrowth of hearings on franchising held last spring and fall by the House Committee on Small Business. Committee Chairman John J. LaFalce, D-N.Y., called the hearings after receiving numerous complaints against franchisors by franchisees. The committee examined the increased litigation against franchisors and allegations of fraud and misrepresentation in franchise sales.

Neil Simon, senior vice president for the International Franchise Association, in Washington, D.C., says: "The IFA welcomes Chairman LaFalce's interest in franchising and is working with the Small Business Committee in examining whether the federal government could play a greater role in ensuring franchising's continued prosperity." NB

Start your own business for ***just $495***
Be your own boss

Make up to 300% profit every time you perform this valuable service!

Become a part of the 84th fastest growing, privately held company in America (*Inc. Magazine*, 12/88) and provide a much-needed service that is more in demand today than ever before!

Bring our scholarship/financial aid matching service to the attention of students and their parents through a number of proven methods.

✓ **work full time or part time**

✓ **work from home**

✓ **establish a successful business with a minimal investment**

See if you qualify.
For more details and no obligation

CALL TOLL FREE
1-800-346-4500

Academic Guidance Services, Inc.
15000R Commerce Parkway
Dept. NB1
Mt. Laurel, NJ 08054

#1 GNC GENERAL NUTRITION CENTERS

New Franchise Opportunity... General Nutrition Centers

GNC is ranked by Success and Entrepreneur magazines as the best new franchise to buy in the 90s.
Join the best.
Capitalize on the growing $2.2 billion self-care industry. Low minimum investment of $50,000.
Direct financing available.

Contact: Director of Franchising
GNC Franchising, Inc.
921 Penn Avenue
Pittsburgh, PA 15222
1-800-766-7099

GNC.
Since 1935.
Over 1,000 Stores.

Circle No. 33 on Reader Service Card

Earn $5,000 Per Month

Making Personalized Children's Books

Turn a small investment into that profitable full or part time business you have always dreamed about!

An excellent home operated business! Books sell fast in stores! At fairs! Parties! Malls! Or mail order . . . anywhere there are people. It's easy to make $4,000 to $8,000 per month making and selling our exciting line of personalized books (for children & grown-ups.) Personalized audio tapes and stationery available also.

Find out how to build a business of a lifetime!

Call (214) 353-9999
TODAY!
or write

My Very Own Book, D&K Enterprises, Inc.
2953 Ladybird Lane, Suite 15, Dallas, Tx 75220

Circle No. 37 on Reader Service Card

LOOK CLOSELY. YOUR OWN BUSINESS . . . $495!

► **Diet Guidance International** is now offering qualified individuals the opportunity to own their own Computerized Weight Loss Business. This revolutionary new Weight Loss System allows people to choose the food they like, and our computers provide them with personalized weight loss plans. If accepted, DGI will provide you with complete training and support and a unique marketing system. In addition, DGI will do all your computer processing.

This lucrative opportunity may be conducted on a full-time or part-time basis, even in the convenience of your home. DGI will provide all computer services, **under your own company name.** This allows you to realize up to **300% profit** each time you provide this valuable service.

If you are selected, $495 is all you need to start your own business!

Diet Guidance International will provide you a quality service business with a potential market of well over 48 MILLION overweight and health oriented individuals as well as the professional sector.

SEND FOR A FREE BROCHURE TODAY!

Diet Guidance International™
2131 Pierce St., Ste. 5, NB-1, San Francisco, CA 94115

OR CALL TOLL FREE
1-800-776-4347

Own your own scholarship consulting business.

15 million students desperately need help in locating money for college every year. Let us show you how to earn an excellent income matching students to over 28 billion dollars in scholarships, grants, and student aid programs.

NO EXPERIENCE NEEDED
We train you step-by-step

- Immediate income.
- Operate part-time or full-time directly from your home.
- Can be conducted by "direct mail" you never need to see a student.

only $495.
Initial start up costs

CALL TODAY FOR FREE INFORMATION PACKAGE
1-800-553-1310
ask for ext. 75
or write
MONEY FOR COLLEGE
11846 Balboa Blvd.
Granada Hills, CA 91344

FAX
INDUSTRY OF THE 90's

YOU can participate with the Public Fax Industry's *International Leader* with

AT&T Enhanced FAX Service

by owning *GOFAX* Automated Credit Card Operated PayFAX and Fone Machines

- TOP Locations NOW!!
- Very High Income Potential
- No Selling: PT/FT-Turnkey

Cash Requirement: $ 29,000
Immediate Start for this Limited Opportunity

ENDORSED
American Fax Association

GOFAX ,Inc.
Call 1-800-233-4341
(FAX:401-739-9215)

Circle No. 24 on Reader Service Card

"Not Just Recession-Proof, It's Recession-Stimulated."

For the past eight years, a very unusual company has quietly been showing hundreds of businesses how to save thousands of dollars each month on their everyday business expenses. Even more unusual is how this company, ERA -- Expense Reduction Analysts, Inc. -- gets paid. They work on a "results only" basis, receiving fifty cents of every dollar they save for their clients during a twelve month period. No savings, no fee.

This remarkable company is staffed by skilled expense reduction experts who know how and where to quickly discover big money being wastefully spent on such common items as office supplies, maintenance products, printing, office equipment, overnight express service, business insurance and in many other areas. In normal economic times, their business is very good. Today, as you can imagine, business is excellent. ERA turns down far more clients than it accepts.

Now, for the first time ever, ERA is teaching qualified entrepreneurs how to operate their own expense reduction business in their own area as an ERA associate. A one-time, refundable $9,900 fee includes two days of intensive training, plus manuals, forms, contracts, guidelines and six full months of consultation with ERA staff members. These men and women will then become qualified experts to provide today's most needed business service and will join forces with ERA for joint ventures on larger cases. A typical case can yield several thousand dollars in profit, and we'd like you to speak with existing associates doing anywhere from two to ten of these cases each month. The income potential is staggering.

If you are sincerely interested in this opportunity, please request our literature packet and FREE video brochure by calling 800/782-1050 or 314/997-5500, today.

ERA

EXPENSE REDUCTION ANALYSTS, INC.

Earn $4,000 Per Month From Your Home With A Computer!

FREE **CBS 386 SX Computer**

Start part-time with potential earnings of $10,000 or more per month. This is a proven turn key business an individual or couple can run. If you purchase our software and business program, we will give you the computer and printer. If you already own a computer, you may receive a discount. You do not need to own, or know how to run, a computer — we will provide free, home office training. Financing available.

To receive a free cassette and color literature, call toll-free

1-800-343-8014, ext. 32
(in Indiana: 317-758-4415) *Or Write:*
Computer Business Services, Inc.
CBC Plaza, Ste. 32, Sheridan, IN 46069

Circle No. 5 on Reader Service Card

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
$56	$50	$43	$30	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ADVISORY SERVICES

TRADEMARK SEARCHES. EXPEDITED REGISTRATIONS. Keep your good name! Intent-To-Use Applications. Brand-name creation. TRADEMARKERS 301-229-7777.

AUTOMOTIVE

SEIZED CARS, trucks, boats, 4wheelers, motorhomes, by FBI, IRS, DEA. Available your area now. Call (805) 682-7555 Ext. C-1389.

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES

Acquire established, going businesses you can relocate to your own area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons and your profits. For a free sample listing of these businesses in the "Relocatable Business" newsletter, write Business Listing Services, Box 549-NB, Highland Park, IL 60035, or call (800) 927-1310.

INCREASE SALES WITH 800 LINE AND CREDIT CARDS

Telerep 800 is the only 800 line Sales Response Service that answers 800 lines, sells products, stores/ships & then pays you via receipts from major credit cards. Monthly minimum only $65.00. Write Sandie Olson, Telerep 800, P.O. Box 158, 7431 Balto.-Annapolis Blvd., Glen Burnie, MD 21060. Or call: 800-638-2000. Our 20th year of successful selling for others. Canada: 800-678-4560.

Become a mail-order guidance counselor...

Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)

We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. $495 required if accepted. Up to 300% profit—millions of names available yearly.

1-800-346-4500

ACADEMIC GUIDANCE SERVICES

15000H Commerce Pkwy, Dept NB, Mt. Laurel, NJ 08054

BE YOUR OWN BOSS
EARN UP TO 300% PROFIT

Diet Guidance International is now offering qualified individuals the opportunity to own their own Computerized Weight Loss Business.
• Full Time or Part Time • Market = 48 million people each year
$495 required if accepted
CALL TOLL FREE 1-800-776-4347

Diet Guidance International
2131 Pierce St., Ste. 5, NB-1, San Francisco, CA 94115

BUSINESS OPPORTUNITIES

""WANTED""

Want to earn $$$$ an hour? Want a new career picking up credit accounts? No experience needed. 1-800-393-1096.

Want financial security? Earn $10,000 a month at home. Call 1-900-447-7499, ext. 3308 for complete details. $24.95 charge, 100% refundable. CAN'T LOSE!

MAILORDER BUSINESS OPPORTUNITY! Home or office. Unlimited income! Information-$2! FP16, BX116F, Toronto, Canada M4Y 2L5.

FOR SALE: MERCEDES REPAIR BUSINESS

Downtown Portland, OR. Excellent established clientele. Prime location. Owner retiring. 503-227-1202.

JEWELRY BUSINESS - Own a 14K gold and diamond jewelry business. Distributorships $1,499 to $6,900. Call: Gold Factory Distributors. 1-800-933-6066.

BIG PROFITS. SIX OPPORTUNITIES. Recorded message: 1-703-284-2017. Distributorship available. Alliance Financial Group, P.O. Box 3598, Arlington, VA 22203.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-449-8600. (HS2)

EARN QUICK CASH: Buy Sell Government seized houses, autos, computers, boats, furniture, stereos, etc. Everything dirt cheap. Free Details: Seizures, Box 4309-BN, West Covina, CA 91791.

MAKE MONEY WITH FOREIGN INVESTORS. Top finder's fees paid. Dept. 192NB1, THE GLOBAL EXCHANGE, 419 N. Newport Blvd., Ste. B, Newport Beach, CA 92663-4271. 714-722-9260.

MAKE YOUR DREAM COME TRUE. EARN $60,000 YEARLY REPAIRING, NOT REPLACING, SMALL CRACKS IN WINDSHIELDS. TOLL FREE 1-800-826-8523 (US/Canada) or write: GLASS MECHANIX, INC., 10170 NW 47th ST, Sunrise, FL 33351.

ENVIROWASTE MANAGEMENT

New Career...Bright Future

Be a Certified Specialist Consultant
Your business...job...profession

- Waste management
- Compliance/regulations
- Environmental laws
- Hazard management
- Reporting regulations

Home Study Program Includes:

- Physics and chemistry
- Human physiology
- Ecology
- Envirowaste sciences
- Laws and regulations

For a free booklet, call or write:
1-800-527-9537 • Fax 1-800-842-7574
1509 Baltimore • Kansas City, Mo. 64108

ENVIROWASTE MANAGEMENT INSTITUTE OF AMERICA
Division of
National Institutes of America
Since 1981

Name
Address
City
State/Zip
Telephone

BUSINESS OPPORTUNITIES

HOW TO FINANCE YOUR NEW/Existing Business. Federal & state grants to $500,000. Many purposes! Details $1.00. FedFunds, Box 880663-NB1, San Diego, CA 92168.

BIG MONEY thru breakthrough weight loss health & nutrition discovery...Rated #1 in the industry.
24 hour message: 800-594-9685

EARN HIGH INCOME

Distribute vehicle towing dollies. Huge Market, little competition, minimal investment. 800-562-2529.

BECOME A REAL ESTATE APPRAISER. $100,000 plus potential. Home study. Earn professional designation. Free literature. 800-362-7070. Dept. RA637.

FREE REPORT: Earn up to $7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, Box 3578-BN, Anaheim, CA 92803.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. W1553, Woodland Hills, California 91367

BE YOUR OWN BOSS! 1001 fast, easy ways to make money! Free! Rush name, address. Money Making, Dept. NB, Box Z, Studio City, CA 91614.

SELLING PLUMBING PARTS, REPAIRS

To local hospitals, hotels, apartments, schools - your metro area. Lifetime career, excellent commissions. 600 page catalog. Jeff: 1-800-226-9315.

""""AMERICAN DREAM""""

Nationwide business & invest. opportunities. Interested in buying or selling a business/property. No broker commission. 1-800-777-6836 Fax: 714-435-3607. Promatch Adv.

BIG INCOME AS A REP

How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps. Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week $19,919 income! Free audio cassette and report reveal everything. Real Money, 111-NB TopaTopa, Ojai, CA 93023.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 61, Montvale, NJ 07645.

BELIEVE IN YOURSELF
Join the ranks of America's Entrepreneurs
TAKE THE FIRST STEP Towards
FINANCIAL INDEPENDENCE.
Become a Comp-U-Diet DEALER if you qualify.
$485 provides PROFIT POTENTIAL of $1,200/week & up.
No experience necessary
We do all the computer processing.
CALL NOW for a FREE mail out booklet
1-800-942-9900 Ext. 303 M-F 9-5 EST
United American Marketing, Inc.
28003 Center Oaks Court, Wixom, MI 48393

PROFITABLE
Health Products Line

Become authorized distributor on 355 top/quality products. High profit margins! Dropships, volume discounts, promos, etc. Detailed 40 page book. No investment fee.
VPI, Box 0818NC, Freeport, NY 11520

BUSINESS SERVICES

PATENT ATTORNEY in Boulder, CO provides quality patent services for individuals and companies nationwide via mail at affordable fixed fees. Call John Flanagan (303) 449-0884 for free info. about services.

WHOLESALE GOLF, STAFF SHIRTS, T-SHIRTS

Your logo/message or our custom art screenprinted. BUSINESS, CLUBS, RESORTS, TEAMS EVENTS, SPECIAL PROMOTIONS. Best USA quality, service, price, delivery. CALL DIRECT: 407-842-1890

BUSINESS SERVICES

FREE NATIONAL ADVERTISING! Get a steady flow of information requests for your product/service/opportunity on a Per Inquiry basis. RHI Group 1-800-238-2862.

DO YOU DO OVER $100 A MONTH in long distance calling? Save up to 21% by joining the One Network's long distance savings plan utilizing AT&T SDN. 1-800-843-7825.

CAREER OPPORTUNITIES

PROGRAMMER ANALYST

Programmer Analyst needed to analyze, design, code & test programs according to supplied functional specifications & company data processing standards. Prepare program or subsystem specifications. Develop & maintain online data processing application systems. Analyze programs in terms of business specifications, & create or write specifications that support the base product &/or client customizations. Devise data verification methods according to standard procedures, ensuring completeness & accuracy of testing. Requires a Bachelor's degree in Business Administration with emphasis in Business Information Systems or related area & two years experience in job offered or two years directly related experience in developing online data processing application systems; or will consider a Master's degree in Business Administration with emphasis in Information Systems & one year experience in job offered or one year directly related online data processing applications experience. Requires at least one year experience utilizing the following programming languages: COBOL, ALC, DL1, CICS, IMS/DB, & six months experience utilizing WordPerfect 5.0 & 5.1, 40 hour work week. $30,311 per year. Apply at the Texas Employment Commission, Irving, Texas, or send resume to the Texas Employment Commission, TEC Building, Austin, Texas 78778, Job Order #6599121. Ad paid by an Equal Employment Opportunity Employer.

CARPET

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. All Major Brands. Select brand, style, color. 1-800-548-5815. Free samples. TC Distributor, Dalton, GA.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
"Built-in Resistance to Stain, Soil, Static, & Wear"
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 800-232-5537. Established 1949.
Buy direct from mill outlet and save!

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
BIG SAVINGS — All qualities business and home carpets. All major fibers including Dupont Stainmaster(DM), Allied Anso V Worry Free(R), Monsanto Wear Dated StainBlocker(R). Call, visit, or write requirements, with $10 for samples (refundable upon return or purchase.) I-75, exit 135, (3004 Parquet Rd.) P.O. Box 2045, Dalton, GA 30722. Ph: 1-800-241-4064, ext. 79, GA: 1-800-447-2114.

COMPUTERS/ACCESSORIES/SOFTWARE

NEW! UNIVERSAL MEMBERSHIP MANAGEMENT SYSTEM FOR PC. Membership, letters, planning, attendance, billing, contributions - Clubs, Organizations, Churches 903/876-2224.

EDUCATION

FINISH BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. Degree Prog. for orgs./co's. 60 sem. hrs. reqd. 800-262-8388/213-382-3801.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 years of legal training. FREE CATALOG. 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, P.O. Box 871449, Dept. NB, Dallas, TX 75287.

Fully Approved University Degrees!
Economical home study for Bachelor's, Master's, Ph.D., FULLY APPROVED by California Superintendent of Public Instruction. Prestigious faculty counsels for independent study & life experience credits (5000 enrolled students, 400 faculty). FREE INFORMATION — Richard Crews, MD (Harvard), President, Columbia Pacific University, Dept. 1J92, 1415 Third St., San Rafael, CA 94901. Toll free: 800-227-0119; CA: 800-552-5522 or 415-459-1650.

EDUCATION

FREE COLLEGE TAPE External Degrees Business/Public Administration LAW Graduate/Undergraduate, Financial Aid. (800) 759-0005, ext 615. LASALLE UNIVERSITY Mandeville, LA 70470-4000.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923.

EMPLOYEE BENEFIT PROGRAMS

ecfc Employers Council on Flexible Compensation

Learn About Flexible Benefits
Annual Conference March 11-13, 1992
Call For Information On Meetings, Publications & Membership
(202) 659-4300

WEIGH THE BENEFITS

Cut Health Care Costs... Save on Taxes... Improve Employee Morale

The ULTRAPLUS ™ system makes it easy to administer all Section 125 flexible benefits plans.

SLI-Select Software
1-800-873-4741

EXECUTIVE GIFTS

*****WATCH REPLICAS*****
GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! LIMITED FREE PROMOTIONS! CALL NOW 1-800-477-6539, Ext. 1.

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country.
Franchise Consulting Group, Inc. (800) 358-8011.

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

INCENTIVE GIFTS & PREMIUMS

Timely Reminder

Special Promotional Offer—$19.50

Send us your color logo (stationery or business card). We'll reproduce it on this deluxe quartz watch. Limit: 3 per customer at $19.50 per watch (plus sales tax CA only).

GREAT AMERICAN IMAGES
One Waters Park Drive, Suite 213 - NB
San Mateo CA 94403 (415) 358-0800

INCENTIVE GIFTS & PREMIUMS

IMAGE BUILDERS

Promote your business...Everyday low prices on...

Choose from hundreds of items.

CALL FOR FREE CATALOG

1-800-792-2277
FAX 1-510-786-1111
THE CORPORATE CHOICE

IMPORT/EXPORT

HOW TO IMPORT/EXPORT
Sources, etc. Kitco, Drawer 6266-N, Kansas City, Kansas 66106.

FREE WHOLESALE CATALOG
UNIVERSAL MARKETS, INC.
800-394-5651

EXPORT-IMPORT on your own. Best Exp-Imp. Bus. Dev. Guide, $31.80 total cost. Full mbg. GRIST, 8A DUNCAN Dr., S. Deerfield, MA 01373.

ASIAN MANUFACTURERS JOURNAL
A complete Asian products guide for importers. Write: 86 Valdor Dr., Scarborough, Ontario, Canada M1V 1R5. Fax: 416-292-2319 for details.

INVENTIONS

Have an Idea? Confused? Need Help? Call Idea Management & Patent Assistance Corp. for free information package: USA/Canada: 1-800-225-5800 (24 hours!).

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORP. for free information. Serving inventors since 1975. 1-800-338-5656.

INVENTION, IDEA, NEW PRODUCT ASSISTANCE
Presentation to industry. National exposition.
1-800-288-IDEA.

INVENTORS: We are a full service marketing and patent development company for inventors. Call TLCI for free information/Inventors Newsletter: 1-800-468-7200, 24 hrs/day - USA/Canada.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free exciting, hour cassette: Melvan Powers, No. Hollywood, California 91609.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 FAX: 1-312-275-4057.

REAL ESTATE

SKI COUNTRY - COLORADO - spectacular 48 acres in pristine area. Excellent cabin site w/year round access. $37,500. JOANIE 719-632-3905 LPI.

REPOSSESSED VA & HUD HOMES available from government from $1 without credit check. You repair. Also S&L bailout properties. CALL (805) 682-7555 Ext. H-1687 for repo list your area.

TIMESHARES

BUYING/SELLING TIMESHARE
or Campgrounds? AMERICA'S #1 GUARANTEED. 1-800-777-8836. ProMatch Advertising.

VENTURE CAPITAL

VENTURE PARTNERS
We help fund it, you run it.
1-800-888-4993

Where I Stand

On Tax Proposals

Your response to this poll will be provided to key members of Congress and the administration as they consider tax changes.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

1. **How important to you is a cut in the Social Security tax rate for employers and employees?**

1. Very important
2. Moderately important
3. Unimportant

2. **How important to you is indexing or reducing the capital-gains tax rate?**

1. Very important
2. Moderately important
3. Unimportant

3. **How important to you is a speedup in the depreciation write-off of capital investment?**

1. Very important
2. Moderately important
3. Unimportant

4. **How important are tax benefits, like those related to Individual Retirement Accounts, that increase investment capital?**

1. Very important
2. Moderately important
3. Unimportant

5. **What is the best way to offset tax cuts? (Choose one.)**

1. Increase other taxes
2. Reduce spending
3. No need to offset tax cuts. Some new revenue will result from greater economic growth.

Send For Free Product Information

Indicate the advertisers from whom you want more, free information. For faxing, circle the company name. If you mail the postage-free card, circle the product-information number on the card that corresponds with the company name in the listing below.

Best Personalized Books **51**
Computer Business Services **5**
Connecticut Mutual Cos. **59**
Dale Carnegie & Associates **1**
Eagle's Nest Homes **7**
General Nutrition Centers **33**
Gofax **24**
Jani King International **44**
Lathem Time Recorder **32**
Lincoln Mercury Division **34**
Lovely Time **16**
Mail Boxes Etc. **50**
Management Recruiters **10**
Mica Accounting Software **6**
My Very Own Books **37**
NEC **48**
Professional Displays, Inc. **23**
SGD Corp. **15**
Trump Shuttle **14**
United States Postal Service **17**
Varco-Pruden Buildings **9**
Watch World **56**

Fill out coupon below if you fax your response.

Number of employees at your firm: ______

Name

Title

Company

Address

City

State ZIP

Nation's Business

REPRINTS

Nation's Business reprints provide in-depth guidance for dealing with the major challenges facing managers today. Topics include Cutting Health-Care Costs, Raising Capital In A Recession, Finding The Right Workers, Avoiding Competition From Former Employees, Managing Pension Plans, and Keeping A Business In The Family.

Special Reprint Packages

Save Over 19% When You Purchase Special Reprint Packages.

(Individual reprints may be purchased from Special Reprint Packages at the single reprint rates listed below. Reprints are in black and white only.)

MONEY MANAGEMENT #8845 ($9.95)
When Money Is No Object (#8842)
Have Your Cash And Borrow Too (#8716)
How To Calculate Capital Needs (#8767)
When Others Go Bankrupt (#8828)
Finding Funding (#8593)
Raising Capital In A Recession (#8829)

RUNNING A FAMILY BUSINESS #8846 ($9.95)
Family Business (#8756)
Marrying Into The Family Business (#8746)
Making Sure Your Business Outlasts You (#8722)
Fair Pay In Family Firms (#8765)
Ten Keys For Success In Family Business (#8830)
Congress Thaws The Estate Freeze (#8821)

SUCCESSFUL MARKETING #8847 ($9.95)
PR On A Shoestring (#8816)
Looking Good, Selling Better (#8794)
The Creative Touch (#8786)
Shape Up Your Firm's Image (#8754)
The Quest For Quality (#8837)
Selling On A Shoestring (#8769)

MANAGING COMPANY BENEFITS #8848 ($9.95)
Fighting The High Cost Of Workers' Comp (#8783)
Switching To Flexible Benefits (#8841)
Ways To Control Insurance Costs (#8840)
The Threat To Pension Plans (#8824)
10 Ways To Cut Health-Care Costs (#8810)
Curbing The High Cost Of Health Care (#8758)

ENTREPRENEURIAL STRATEGIES #8849 ($9.95)
Clamp A Lid On Your Company Secrets (#8715)
Taking A Turn For The Better (#8834)
Finding The Right Workers (#8820)
Should You Go Corporate? (#8795)
Cardinal Sins Of Management (#8781)
Men, Women & Leadership (#8833)

EFFECTIVE EMPLOYEE MANAGEMENT #8850 ($9.95)
Checking References (#8813)
When A Key Manager Leaves (#8817)
Avoiding Competition From Former Employees (#8806)
See You In Court (#8753)
Employees For Rent (#8839)
Avoid Pitfalls In Hiring, Firing (#8823)

RECENT BEST SELLERS (Available Individually)
Criticism Without The Sting (#8863)
How To Write For Money (#8864)
Selling In The New Europe (#8868)
Ways To Make Safety Work (#8869)
Schools That Work (#8860)
A New Era In Road Policy (#8856)
Term Limits: False Hope Or Cure (#8862)

Current Reprints

GRIM—Unless ... (#8872) The 1992 economic outlook for small business. (Page 14)

PUTTING A PRICE TAG ON YOUR COMPANY (#8873) Factors appraisers consider when determining what a business is worth. (Page 29)

HELPING SMALL FIRMS BORROW MONEY (#8874) Tips to make the SBA's guaranteed-loan program work for you. (Page 34)

BOOSTING WORKERS' BASIC SKILLS (#8875) How workplace programs in reading and basic skills can improve employee productivity. (Page 38)

To order, call (202) 463-5877. Or mail this coupon to Nation's Business, Reprint Manager, 1615 H Street, N.W., Washington, D.C. 20062

SINGLE REPRINT RATES

1 to 9 copies	$1.99 ea.
10 to 29 copies	$1.49 ea.
30 to 99 copies	$1.19 ea.
100 to 999 copies	$ .99 ea.

REPRINT PACKAGES $9.95

REPRINT #	PRICE	QUANTITY	TOTAL
	TOTAL		

☐ Payment enclosed
☐ Bill me ($10.00 minimum)
☐ Bill my credit card ($9.95 minimum)
☐ AE ☐ MC ☐ VISA

Card Number Exp. Date

Signature

Name

Title

Address

City State ZIP

Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Balancing Plans On Waste Disposal

ILLUSTRATIONS: RICHARD GAGE

The major environmental issue Congress is expected to consider in 1992 is how to handle solid and hazardous waste.

Lawmakers are expected to address the issue in reauthorizing the Resource Conservation and Recovery Act, which governs the handling of such waste.

A driving factor in the debate will be the shortage of waste-disposal capacity facing many communities, partly because public opinion has made it politically difficult to establish landfills and facilities for converting waste to energy.

Shortages of disposal capacity have already led to far-reaching and often impractical proposals that proponents believe would reduce the amount of material destined for disposal.

For example, some of these proposals would ban certain products, tightly regulate the production and packaging of other products, and impose mandatory recycling goals, even where markets for the recycled material have not developed.

According to the U.S. Chamber of Commerce, the amount of packaging disposed of has been leveling off since the mid-1970s, and the weight of individual packages has been declining as a result of new technology and cost-reduction efforts.

The U.S. Chamber supports federal efforts to provide guidance to state and local governments for developing integrated solid-waste-management plans that include waste reduction, recycling, incineration, and landfill use.

However, the Chamber opposes counterproductive proposals, such as product bans, which could lead to increased waste and higher product prices and waste-disposal costs for consumers.

Urge your representative and senators to support solid-waste legislation that would ensure adequate disposal capacity without imposing impractical restrictions or bans on products.

Foreign Investment Faces New Threat

A bill in the House—H.R. 2624—threatens to weaken the economy further and hamper efforts of U.S. businesses to compete abroad. Those consequences could result from the bill's goal of placing additional restrictions on foreign investment in the U.S.

Before 1988, U.S. law, with few exceptions, provided for restrictions on foreign investment in the U.S. only in the event of a national emergency. The Omnibus Trade and Competitiveness Act of 1988 allowed incoming foreign investment to be restricted more easily—on national-security grounds.

(The restrictive language was contained in the law's "Exon-Florio" provisions, named after Sen. J. James Exon, D-Neb., and former Rep. James J. Florio, D-N.J., who pushed for the provisions, which the pending legislation would expand.)

The new bill would require investors planning to enter into a wide range of transactions to notify the U.S. government. It would also add major categories of investment, such as joint ventures, to those now subject to national-security screening.

According to the U.S. Chamber of Commerce, the Exon-Florio provisions have generated unwarranted concern abroad that the U.S. is planning to engage in investment protectionism under the guise of national security. The Chamber believes H.R. 2624 is likely to impede, if not reverse, progress toward freer and fairer world trade rules and that it would further burden the domestic economy by setting up obstacles to U.S. firms' international competitiveness.

Contact your representative and urge opposition to H.R. 2624. Tell your lawmaker it would chill productive investment in the U.S. and hurt U.S. competitiveness in overseas markets. These detriments would far outweigh any marginal benefits to national security.

Guidelines For Doctors Would Help

A move to establish guidelines for medical practice is gaining attention on Capitol Hill as a potentially effective means of improving the quality of health care while holding down costs.

Driving the movement is research that has found that many health-care services delivered in the U.S. are inappropriate or ineffective. Research has also shown wide variations in the use of procedures across different regions, with no apparent medical justification for the variations.

In addition, statistics indicate that one-fourth of the nation's health-care expenditures result directly from "defensive" medical practices—doctors ordering tests and procedures to protect themselves from unwarranted malpractice suits.

Studies by the medical community have demonstrated that establishing medical-practice guidelines holds real promise for improving quality, eliminating ineffective care, and lowering costs.

According to the U.S. Chamber of Commerce, a national effort led by physicians and scientists to establish medical-practice guidelines could produce a health-care system in which medical care would be more consistently effective and appropriate and largely devoid of unnecessary and needlessly expensive treatment. This would help to lower costs for everyone without compromising the quality of care.

The Chamber believes such guidelines are essential as part of any effort to reform the U.S. health-care system.

Write your representative and senators. Urge them to take an incremental approach to health-care reform and to encourage the development of medical-practice guidelines. Remind them that such guidelines will reduce the practice of defensive medicine, improve the consistency of medical treatments across geographic areas, and help lower health-care costs. NB

Editorial

Government Should Prevent Economic Disasters, Not Just Deal With Their Victims

A major battle over jobless benefits took place in Congress in 1991. Democrats pressing a bill to extend payments clashed with congressional Republicans and the White House. The Democrats also fought among themselves over how the $5 billion in extra benefits was to be distributed. There were additional disputes over how to finance the cost within the limits of the 1990 budget agreement requiring that any spending increases be offset by higher taxes or cuts elsewhere.

The financing was achieved with the usual sleight of hand that combines higher spending with assurances that neither taxes nor borrowing is being raised. President Bush, after first insisting the recovery was on track and the question of additional jobless pay was moot, agreed to sign the bill.

The whole procedure was drenched in politics. Official pronouncements surrounding enactment of the bill portrayed a responsive and effective officialdom rushing help to the victims of recession.

But stand back from that scene for a moment. Two factors become apparent. The first is that Congress and the White House cooperated in a stopgap relief effort for only a relatively small number of the economically wounded. The second is that it would have been infinitely better if the decision makers had taken the steps needed to prevent those being helped from becoming victims in the first instance.

Instead of quick fixes, the nation needs to adopt and sustain fundamental economic policies that will return the U.S. economy to the strong growth of which it is capable through the rest of this decade and into the next century.

The nation averaged a solid 4 percent increase in gross national product between 1983 and 1988, when policies introduced by President Ronald Reagan were in full force, but that number fell to 0.7 percent from 1989 to the present as tax increases and heightened regulation undermined the supply-side gains.

The nation's return to economic health can be achieved through the growth plan developed by the U.S. Chamber of Commerce. Its three-part package leads off with a call for tax relief for families, workers, savers, investors, and entrepreneurs. The other side of the tax relief would be a spending freeze that would involve a badly needed reordering of priorities.

The plan then follows with a recommendation to halt implementation of new regulations until the economy has achieved adequate growth rates. That would be followed by developing a new process for assessing existing and proposed regulations on a strict cost-benefit basis. And businesses should be allowed immediate expensing for any capital investment necessitated by mandated actions to meet regulatory requirements. Finally, the business organization advocates restoration and expansion of the nation's infrastructure, which would increase productivity throughout the economy while providing jobs.

This overall program does not call for major spending increases, as so many anti-recession programs do. Even the infrastructure plan could be achieved without tax increases because of the hefty reserves in federal funds for airports and airways and for highway projects—$13 billion and $16 billion, respectively.

The U.S. Chamber plan would channel tax relief into solid, long-term growth by reducing the cost of capital and labor and increasing productivity, which must be the basic goals of growth-oriented tax relief. Tax-cut plans that would simply put more money into everybody's pocket have a superficial attraction, but they do not resolve the problem of the availability and cost of capital.

One of the major reasons why the economy has faltered is the extent to which federal policies have created disincentives to the savings and investments that create jobs by underwriting expansion. A growth package with the elements advocated by the Chamber or similar to them could increase the average annual growth rate of the gross national product a full percentage point, to an average 3.5 percent, which would be a 40 percent gain over the next five years. A major effect of that gain would be significant progress toward reducing the federal deficit.

The nonpartisan Congressional Budget Office estimates that even a 1 percent increase in growth per year over the next five years would translate into a $258 billion cumulative reduction in the deficit over that same period.

The alternative is continued economic stagnation and decline in the American standard of living.

But that's not really an alternative. Enactment of a genuine economic-growth package along the lines of the U.S. Chamber plan must be the top priority for Congress and the administration in this new year. At the same time, they must resist election-year pressures and temptations to resort to the politics of envy usually camouflaged as "fairness" policies and inevitably designed to raise taxes. And decision makers must avoid short-lived, superficial plans designed more to placate voters until election day than to build the new economic foundation the nation needs.

If those responsible for making such choices don't know the difference, the voters do. NB

Free-Spirited Enterprise

By Janet L. Willen

What A Deal!

You don't have to miss your weekly bridge game just because you're on the road. Pro Bridge 210, from **Saitek Industries**, of Torrance, Calif., lets players enjoy the game even when the cards are at home.

The hand-held, calculator-size bridge computer lets players choose the playing level and aggressiveness they want. The computer shuffles and deals, and an LCD screen

ILLUSTRATIONS: JIM OWENS

displays the player's and the dummy's hands. The computer scores automatically.

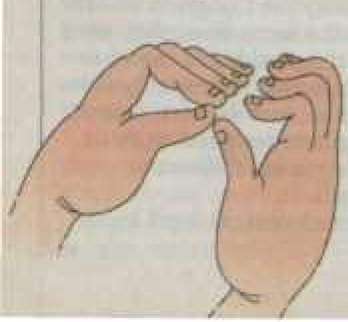
Pro Bridge 210 retails for $139.95. Advanced bridge games are also available, as well as chess, backgammon, blackjack, and checkers.

Here's The Rub

When business doesn't take you to Japan, you can get a Japanese-style Shiatsu massage at home.

The Kneading Fingers Shiatsu Massager, from **Well-Spring Products**, of Los Angeles, is designed to simulate the finger-pressure massage technique developed to relax samurai warriors. Two thumb-size nodules rotate while kneading the muscles.

The massager is powered



by a 30-watt motor and weighs 7 pounds. Cost: $169.95.

Have A Ball—Or Two

Another massage technique comes to us from **Nikken, U.S.A., Inc.**, of Los Angeles.

The method involves two multipronged magnetic balls called MAGBOYS. Nikken says you roll the balls in your hands and feel the relaxation spread from body to mind and back again.

MAGBOYS cost $60 a pair.

No Sitting On The Job

Yet another aid for people who sometimes feel achy comes

from the **Stand-Up Desk Co.**, of Bethesda, Md. The company designs desks for people who suffer from lower-back pain and for action-oriented executives who don't like to feel deskbound.

The manufacturer says stand-up desks are not a new idea. Thomas Jefferson, Winston Churchill, Ernest Hemingway, and Virginia Woolf all had them.

Stand-up desks come in cherry, oak, walnut, and mahogany. They have a leather-finished slanted writing surface with a hinged top that opens to a storage space. Each desk has a brass footrest so users can stand with one foot elevated to relieve back pain. Prices start at $1,475.

Stools are available for people who don't want to stand all the time.

It's In The Cards

PSI Research, of Grants Pass, Ore., offers a noteworthy way to send your business card.

The company's Flexicard Line, from EXECARDS, makes self-mailers designed to hold your business or Rolodex™ card on one flap and a message on the other.

With the Business Insert Card, your card tucks into slots on the lower flap. With the Rolodex™ Insert Card, your imprinted card punches out. Both styles have one flap for a message, and they fold over for mailing.

Write On!

Need help in creating a message for your card? The *Writer's Catalog* from the **Communication Workshop**, in New York, may have an idea. The catalog lists dozens of posters, reports, and services to help business people improve their writing.

For those who need help immediately, there are listings for a telephone hot line writing service and a service that critiques documents by fax.

The catalog is available by sending a self-addressed stamped envelope to the workshop at 217 E. 85th St., New York, N.Y. 10028.

A Word From The Doctor

You won't find them in your local bookstore, but that shouldn't stop you.

University Microfilms International, of Ann Arbor, Mich., is offering for sale thousands of doctoral dissertations, including those of notables such as Carl Sagan ("Physical Studies of Planets") and Bill Cosby ("An Integration of the Visual Media via 'Fat Albert and the Cosby Kids' into the Elementary School Curriculum as a Teaching Aid and Vehicle to Achieve Increased Learning").

Among those by less notable scholars are "Electrical Measurements on Cuticles of the American Cockroach," "Elvis Presley: All Shook Up...," and, my favorite, "I Am You, You Are Me: A Philosophical Explanation of the Possibility That We Are All the Same Person."

Knowledge doesn't come cheap. Dissertation costs range from $44 for microfilm or microfiche, to $55 for paperbound, and $66.50 for hardcover.


DON'T DROWN
IN THE COMPETITION.
2 DAY SERVICE...We Deliver.
PRIORITY MAIL
UNITED STATES POSTAL SERVICE
2DAYS • 2LBS • $2.90
Every day, businesses receive a sea of mail. Get yours noticed with 2 Day Priority Mail™ from your post office. You can call us to pick up as many packages as you have for one low price of just $4.50. With outstanding reliability and the lowest prices by far, it's no wonder we're #1 in 2 day service. For pickup call 1-800-222-1811. Some service restrictions apply. We deliver.
PRIORITY MAIL
UNITED STATES POSTAL SERVICE
OFFICIAL OLYMPIC SPONSOR
Circle No. 17 on Reader Service Card

Will you still be on speaking terms with your new phone system in five years?

NEC realizes that a phone system must talk to your immediate needs. But it should also be conversant with needs that may arise in time.

That's why the equipment we create is advanced, reliable, and just as important, flexible. We've been making phones since 1899, and we're committed to serving the needs of business now and in the future.

Innovative products like our Key Systems—the Electra™ 8/24 and Electra™ Mark II—enable us to customize a system for any business. They offer an incredible number of features to provide you with ease and efficiency now, while maintaining the greatest feature of all—the ability to revise your system as your business changes.

Without our reputation for dependability, this might all be idle chatter. But coming from a world leader in computers and communications, it's a word you can count on.

NEC Key Systems-"Linking People with Information through Technology." Our performance will amaze you, without ever leaving you speechless. For more information, speak to us at 1-800-626-4952.

NEC

Circle No. 48 on Reader Service Card

© 1991 NEC America, Inc.